

(29,335)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1923.

No. 192.

CHICAGO GREAT WESTERN RAILWAY COMPANY,
APPELLANT,

vs.

NATHAN E. KENDALL, GOVERNOR OF THE STATE OF
IOWA; WALTER C. RAMSAY, SECRETARY OF STATE OF
IOWA; GLENN C. HAYNES, AUDITOR OF THE STATE OF
IOWA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA.

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[fol. 1]

[File Endorsement Omitted]

IN THE
**DISTRICT COURT OF THE UNITED STATES, SOUTHERN
 DISTRICT OF IOWA, CENTRAL DIVISION**

In Equity. No. 4196

THE CHICAGO, GREAT WESTERN RAILROAD COMPANY, Complainant,
 vs.

NATHAN E. KENDALL, Governor of the State of Iowa; WALTER C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, Individually and as Members of the Executive Council of the State of Iowa, and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa and Individually, Defendants.

CITATION AND SERVICE—Filed November 10, 1922

THE UNITED STATES OF AMERICA, *ss:*

The President of the United States to the above-named defendants, Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa and individually, and their attorneys, and to Ben J. Gibson, Attorney General of the State of Iowa, E. J. Flick, and J. H. Henderson, their attorneys, Greeting:

You are hereby cited and admonished to be and appear at and before the Supreme Court of the United States at Washington, D. C. within thirty (30) days from the date hereof, pursuant to appeal filed in the Clerk's office of the District Court of the United States for the Southern District of Iowa, Central Division, wherein The Chicago, Great Western Railroad Company is complainant, and Nathan E. Kendall, Governor of the State of Iowa; Walter [fol. 2] C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson as Secretary of the Executive Council of the State of Iowa, and individually, are defendants, to show cause, of any there be, why the judgment in such appeal mentioned be not corrected and speedy justice should not be done in their behalf.

Witness the Honorable Martin J. Wade, Justice of the District Court of the United States for the Southern District of Iowa, Central Division, this 10th day of November, 1922.

Martin J. Wade, United States District Judge, Southern District of Iowa, Central Division.

Service of the within Citation and receipt of copy thereof admitted this 11th day of November, 1922.

Ben J. Gibson, Solicitor for Appellee.

[fol. 3]

CAPTION

Pleas and proceedings before the Honorable Martin J. Wade, Judge of the District Court of the United States for the Southern District of Iowa, in a cause pending in said court wherein the Chicago, Great Western Railroad Company is complainant and Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, Secretary of the Executive Council of the State of Iowa, and individually, are defendants, being numbered 1196, Equity, Central Division.

Be it remembered that on the 26th day of July, A. D. 1922, a bill of complaint was filed in the case of the Chicago, Great Western Railroad Company vs. Nathan E. Kendall, Governor of the State of Iowa, et al., in said Court at Des Moines, Iowa, which said bill of complaint is in words and figures as follows:

[fol. 4] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

BILL OF COMPLAINT—Filed July 26, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

The Chicago Great Western Railroad Company, Complainant, a corporation created and organized under and by virtue of the laws of the State of Illinois, having its principal place of business at Chicago in Cook County in the State of Illinois, brings this, its Bill of Complaint, against Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa; individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, individually and as Secretary of the Executive Council of

[fol. 5] the State of Iowa, as defendants; and thereupon complainant states:

Par. 1. That the Chicago Great Western Railroad Company is a corporation for pecuniary profit, duly organized and existing under and by virtue of the laws of the State of Illinois.

Par. 2. That the defendant, Nathan E. Kendall, is a citizen and resident of the State of Iowa and of the Southern District thereof and occupies the position of Governor of said State; that the defendant, Walter C. Ramsay, is a citizen of the State of Iowa and resides in Des Moines, Polk County, Iowa, and occupies the position of Secretary of State of the State of Iowa; that the defendant, Glenn C. Haynes, is a citizen of the State of Iowa and resides in Des Moines in Polk County, Iowa, and occupies the position of Auditor of State of the State of Iowa; that the defendant W. J. Burbank, is a citizen of the State of Iowa and resides in the City of Des Moines, Polk County, Iowa, and occupies the position of Treasurer of State of the State of Iowa; that the defendant R. E. Johnson is a citizen of the State of Iowa and resides in the City of Des Moines, Polk County, Iowa, and occupies the position of Secretary of the Executive Council of the State of Iowa.

That the said defendants, Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes, and W. J. Burbank constitute, under the laws of the State of Iowa, the Executive Council of the State of Iowa.

Par. 3. That the matter in controversy herein exceeds, exclusive of interest and costs, the sum or value of Three Thousand (\$3,000.00) Dollars.

[fol. 6] Par. 4. That this is a suit of a civil nature in equity between citizens of different States, to enjoin the attempted assessment of the property devoted to railroad purposes of the complainant in the State of Iowa at a rate and upon a basis greater than the assessment of other classes of property subjected to taxation in the State of Iowa, and arises under the Constitution of the United States and especially under the Fourteenth Amendment thereto, providing that no state shall deprive any person of his property without due process of law nor deny to any person the equal protection of the laws.

Par. 5. That the complainant owns, operates and maintains a system of railroad in the State of Iowa as a part of its system of railroad in the States of Iowa, Illinois, Minnesota and other States of the Union, and is engaged in the business of a common carrier of freight and passengers for hire and as such is subject to the laws of the State of Iowa and of the United States in such cases made and provided.

Par. 6. That it is provided in and by Section 6 of Article 1 of the Constitution of the State of Iowa that "all laws of a general nature shall have a uniform operation; the general assembly shall not grant to any citizen or class of citizens, privileges or immunities, which upon the same terms shall not equally belong to all citizens."

It is also provided by Section 2 of Article 8 of the Constitution of Iowa that "the property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."

[fol. 7] Par. 7. That by the terms of Chapter 7, Title II, of the Code of Iowa, as amended, the Governor, Secretary of State, Auditor, and Treasurer of State constitute the Executive Council; and any three of them shall constitute a quorum. No deputy of either of such officers shall act in said Council for his principal; that the Executive Council shall choose a Secretary to hold office during its pleasure and the Secretary shall keep a journal, in which shall be entered all the doings of the Council.

Par. 8. That in and by Section 1305 of the Code of Iowa, as amended, it is provided:

"All property subject to taxation shall be valued at its actual value, which shall be entered opposite each item, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade."

And by Section 1334, *a*, *b*, and *c*, of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred thirty-four of the supplement to the code shall, on or before the first day of April, nineteen hundred and five, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December thirty-first, nineteen hundred and four, for railway purposes, in each county, in the state in which said real estate is situated, including the right of way, roadbed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, roundhouses, machine and repair shops, water tanks, turntables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof, in such manner as may be required by the executive council. Only one such [fol. 8] detailed statement by any corporation shall be necessary, and when received by the council it shall become the record of railway lands of such corporation, and be deemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite to the description of said tract in the original report of the same in the record of railway land."

"The executive council shall, by some convenient method of binding, arrange the statements required to be made under the provisions of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands."

"Subsection three of the law as it appears in section thirteen hundred thirty-four of the supplement to the code (1902) and all other statutes or parts of statutes in conflict herewith are hereby repealed."

That by Sections 1335 and 1336 of the Code of Iowa, it is provided as follows:

"There shall not be included in said operating expenses any payments for interest or discount, or construction of new tracks except needed sidings, for raising or lowering tracks above or below crossings at grade in cities or towns, for new equipment except replacements, for reducing any bonded or permanent debt, nor for any other item of operating expenses not fairly and reasonably chargeable as such in railway accounts. The council may demand, in writing, detailed, explanatory, and amended statements of any of the items mentioned in the preceding section, or any other items deemed by it important, to be furnished it by such railway corporation within thirty days from such demand, in such form as it may designate, which shall be verified as required for the original statement. The returns, both original and amended, shall show such other facts as the council, in writing, shall require."

"The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, [fol. 9] real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January first, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

That in and by Section 1337 of the Supplement to the Code of Iowa, as amended, it is provided as follows:

"On or before the third Monday in August of each year, the council shall transmit to the county auditor of each county, through and into which any railway may extend, a statement showing the length of the main track within the county, and the assessed value per mile of the same, as fixed by a ratable distribution per mile of the assessed valuation of the whole property."

That in and by Section 1378 of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"The executive council shall constitute the state board of review, and shall meet at the seat of government on the second Monday of July in each year. The auditor of state shall lay before it the ab-

tracts transmitted to him by the auditor, as required by the preceding section."

That in and by Section 1379 of the Code of Iowa it is provided as follows:

"It shall adjust the valuation of property of the several counties, adding to or deducting from the valuation of each kind or class of property such percentage in each case as will bring the same to its taxable value as fixed in this chapter."

[fol. 10] And in and by Section 1382 of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"The board shall keep a record of its proceedings, and finish its review and adjustment on or before the third Monday of August. The county auditor shall thereupon add to or deduct from the valuation of each kind or class of property in his county the required percentage, rejecting all fractions of fifty cents or less in the result, and counting all over fifty cents as one dollar."

That in and by Section 1400 of the Supplement to the Code of Iowa, 1913, it is provided that taxes upon real estate shall be a lien thereon against all persons except the state.

Par. 9. Complainant further states that pursuant to the provisions of the said statutes of the State of Iowa and within the time and in the manner as thereby specified this complainant filed with the said Executive Council of the State of Iowa the plats and reports required to be filed by it; that on, to wit, July 10, 1922 the same being the second Monday in July of said year, pursuant to the provisions of said statutes, the said Executive Council of the State of Iowa conducted a hearing, at which time complainant, by its representatives, appeared concerning the assessment of its property subject to the jurisdiction of said Council as in said statutes prescribed and thereafter the said Executive Council of the State of Iowa gave consideration to and deliberated upon the assessment of the property of this complainant, subject to its jurisdiction, for the purposes of taxation for the year of 1922; and on, to wit July 26, 1922 did fix the assessment of the property of this complainant, subject to its jurisdiction, at the sum of Thirty Thousand Dollars (\$30,000.00) a mile on approximately 769.126 miles operated by this complainant in the State of Iowa; and this complainant is informed and believes, and therefore avers that the said Executive Council of the State of Iowa, and the said defendants who constitute the same, will, unless restrained and enjoined by the order of this Honorable Court, immediately proceed to transmit to the county auditor of each county, through and into which its railway extends, a statement showing the length of the main track within the county and the assessed value per mile of the same as fixed by ratable distribution per mile of the assessed valuation of the whole property, as aforesaid, all in accordance with the provisions of said Section 1337 of the Supplement to the Code of Iowa, as amended.

Par. 10. That it is provided in and by Section 1377 of the Code of Iowa as follows:

"Each auditor shall, on or before the third Monday in June, make out and transmit to the auditor of state an abstract of the real and personal property in his county, in which he shall set forth:

1. The number of acres of land and the aggregate actual and taxable value of the same, exclusive of town lots, returned by the assessors, as corrected by the county board of review.

2. The aggregate actual and taxable values of real estate in each township, city and town in the county, returned as corrected by the county board of review;

3. The aggregate actual and taxable value of personal property;

4. An abstract as to the number and value of all animals as the same are returned by the assessor, showing the aggregate actual and taxable values and number of each kind or class, and such other facts as may be required by the state board of review."

[fol. 12] Par. 11. And thereupon said complainant avers that at the time and in pursuance of the provisions of said sections, the said Auditor of State did lay before the said Executive Council their abstracts transmitted to him by the auditors of the various counties as in said sections prescribed; and that the said Executive Council, at the times and in pursuance to the provisions of the said statutes, did undertake to adjust the valuation of the property of the several counties by adding to or deducting from the valuation of each kind or class of property such percentage in each case as in its judgment brought the same to its taxable value as fixed in this chapter.

Par. 12. That as disclosed by said abstract so laid before the said Executive Council of the State of Iowa there was at the time of said action by the said Council in the State of Iowa and subject to assessment and taxation 31,368,516 acres of farm lands; that the aggregate assessment of such farm lands as so adjusted by the said Executive Council of the State of Iowa and as will be returned to the auditors of the various counties of the said state was \$2,612,907,216.00, or at the rate of \$76.00 per acre upon the average.

That the real value of farm lands in the state of Iowa in the market in the ordinary course of trade and also the reasonable value thereof in the year 1922 was and is in excess of Two Hundred Dollars (\$200.00) per acre, or for the aggregate value of all the acreage of such lands subject to assessment and taxation in said state in excess of the sum of \$6,873,703,200.00.

Complainant thereupon avers that by the action of the assessors [fol. 13] of the various counties of the state of Iowa as reviewed and adjusted by the said defendants so constituting the Executive Council of the State of Iowa, the value of said farm lands in said state so fixed for the purpose of assessment and from which the basic or taxable value is computed under the laws of said state in truth and in fact represents but 38 per cent of the real value of said lands determined by voluntary sales in the market in the ordinary course of trade of the same and of the reasonable value thereof. Complainant avers that

the value of farm lands in the state of Iowa constitutes and comprises a substantial proportion of the value of the entire property in the state of Iowa subject to assessment and taxation for state, county, municipal, school district and other purposes.

Par. 13. This complainant avers that the actual value of its property in the state of Iowa, used and useful for railroad purposes, in the market and in the ordinary course of trade, is approximately \$19,998,576.

That said complainant owns and operates in said State approximately seven hundred ninety-eight miles of railroad and that the value of its said property in the market and in the ordinary course of trade is therefore approximately \$26,000 per mile, and this complainant thereupon shows to this court that it is willing to and will pay taxes on such proportion of \$26,000 per mile as this court may order, pending final hearing on the injunction herein prayed for.

Par. 14. Said complainant avers that the authorities in said state [fol. 14] to whom has been delegated the authority of fixing the assessments of property for the purposes of taxation during the year 1922, and for many years prior thereto have habitually, intentionally, systematically and generally assessed farm lands as the property of individuals at a rate far under the real value of such lands in the market thereof in the usual course of trade; and under the reasonable value thereof; that such systematic assessment upon such basis is and for many years past has been a matter of public notoriety in the state; that the fact that such assessors have indulged in such habitual, intentional, systematic and general custom in so assessing farm lands at materially less than the real value thereof in the market in the usual course of trade as known to the said defendants at and prior to the time of the taking of said action by them as said Executive Council of the state of Iowa in so adjusting said assessments and in so fixing the assessment of the property of this complainant for the purpose of taxation in said state. That notwithstanding the knowledge on the part of said defendants and each of them as to such habitual, intentional, systematic and general custom on the part of the assessors with respect to the assessment of farm lands in said state, and notwithstanding the action of the said defendants so constituting the said Executive Council of said state in adjusting the assessments of farm lands as hereinbefore stated, nevertheless the said Council and the said defendants as members thereof did knowingly and intentionally, and over the protest and objections of this complainant, [fol. 15] fix its assessment at said sum of \$30,000.00 per mile, or at 115 per cent of its real value as hereinbefore averred.

Par. 15. Complainant further avers that as a result of the said habitual, intentional, systematic and general custom on the part of the assessing officers of said state with respect to the assessment of farm lands in said state and of the action of the said defendants so constituting the said Executive Council of said state, that this complainant is thereby threatened with the imposition of an undue and discriminatory portion of the tax burdens of said state, contrary to the provisions of the constitution of the state of Iowa as hereinbe-

fore alleged, and contrary to the Fourteenth Amendment to the Constitution of the United States.

Par. 16. Said complainant is informed and believes and therefore avers, that unless restrained by order of this honorable court the said defendants, or their agents and employes, will proceed immediately to certify to the auditors of the various counties in the state the said value so fixed of the property of this complainant for the purposes of taxation ratably in accordance with the mileage of the railroad of this complainant in each such county; and this complainant shows to the court that as a result of such certification, and in order to avail itself of its right under the law, it would be compelled to resort to many actions at law or in equity and would be subjected to a multiplicity of suits.

This complainant further shows to the court that the certification of such assessed value would be followed, as by the laws of said state provided, by the determination of a tax levy in each of the counties and municipal subdivisions of said state, and that upon the pre-[fol. 16] nouncement of such levies as applicable to such value so fixed by said defendants for the purpose of taxation, the title of this complainant to its property would be impressed with a cloud, and various persons would assert the existence of a lien under the laws of said state upon the property of this complainant for such tax charges so resulting from such unequal, discriminatory, inequitable and illegal assessment.

Said complainant shows to the court that it is without an adequate remedy at law in the premises and will sustain irreparable injury and damage by reason of the necessity of resorting to various and sundry actions to prevent the imposition of such wrongful and illegal charges against its property, including expenditures of money for court costs and counsel fees, as well as in other respects, unless the said defendants and each of them, who constitute the Executive Council of the state of Iowa and its secretary, their agents and employes and all persons acting by, through or under their authority or directions be restrained pending the determination of this action from certifying such value so fixed as hereinbefore alleged; and thereupon complainant charges:

First. That the action of the said defendants in so fixing as the assessed value of the property of this complainant the said sum of \$30,000.00 a mile, or said aggregate sum of \$23,073,780.00 is wholly void, in that said action is contrary to and violative of the provisions of Article VIII, Section 2, of the Constitution of Iowa, and of Sections 1305, 1334, 1335, and 1336 of the Code of Iowa as amended, all as hereinbefore set forth and averred, in that the said action of the said defendants is contrary to the express conditions contained in said provisions of said constitution of said state and said laws of said state.

[fol. 17] Second. That the said act of the said defendants in so fixing the assessment of the property of this complainant for the purpose of taxation at the sum of \$30,000.00 a mile, or the aggregate sum of \$23,073,780.00 in the State of Iowa, denies to this complain-

ant the equal protection of the laws, and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

Third, That if the act of the said defendants so constituting the said Executive Council of the State of Iowa in fixing the assessment of the property of this complainant for the purposes of taxation at said sum of \$30,000.00 a mile, or \$23,073,780.00 in the state of Iowa, is construed to be in accordance with said Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382 as amended, of the code of Iowa, then the said sections of the said code of Iowa as amended and each of them are unconstitutional and void, in that the said complainant is thereby subjected to pains, penalties and burdens different from and greater than other property in the state of Iowa, to wit, farm lands, as hereinbefore averred, and would be compelled to bear an unequal and inequitable and illegal proportion of the burdens of state, county and municipal taxation as hereinbefore averred, all in contravention of the provisions of the Fourteenth Amendment to the Federal Constitution.

Wherefore, and for as much as complainant is remediless in the premises, according to the common law, and remediable only in equity, and to the end that complainant may not be subjected to a multiplicity of suits, which will otherwise result, and will not suffer [fol. 18] irreparable injury and damage, and may be permitted to pursue and carry on its business without unlawful hindrances or obstructions, and that the railroad of complainant may be operated in the State of Iowa as aforesaid, and its other property therein may not be subjected to illegal liens and clouds, complainant prays that a writ of subpoena be issued against the defendants, and each and every one of them named and described, to appear and fully submit and make answer to this bill of complaint, but not under oath, answer under oath being expressly waived, and,

That the said defendants, and each and every one of them, their agents, servants and employes, and all other persons acting under or through their authority, or authority of their offices, respectively be enjoined by final decree, and, meanwhile, by preliminary injunction, as follows, to wit:

That the said defendants, Kendall, Ramsey, Haynes and Burbank, and each of them, individually and as members of the Executive Council of the State of Iowa, be enjoined and restrained from apportioning to any of the Auditors of any of the Counties in the State of Iowa, or any other taxing district in the State of Iowa, the aforesaid so-called assessment, or any part thereof, for taxation or for extension of tax rates thereof;

That the said defendant, Johnson, individually and as Secretary to the Executive Council of the State of Iowa, be enjoined and restrained from certifying to the said County Auditors, or any of them, or any officers of the Counties into or through which the line of railroad of complainant extends, in the said State of Iowa, the aforesaid so-called assessments;

That the said defendants, Kendall, Ramsey, Haynes and Burbank, individually and as comprising the Executive Council of the State of [fol. 19] Iowa, be restrained and enjoined from levying or making or fixing any assessment of the property of the complainant in the State of Iowa, subject to their jurisdiction, for the purpose of taxation, at an assessed value in excess of \$9,880.00 or such sum as the court may find just and equitable in the premises, and,

That the said defendants and each of them, individually or under color of their said respective offices, be restrained and enjoined from certifying to the Auditors of the various Counties into and through which the lines of the said complainant extend, or to the officers of any taxing district in the said State of Iowa any assessment of the property of the complainant, either as the assessed value or as the taxable value thereof, in excess of such amount;

That upon final hearing of this cause and the rendition of the final judgment, that the said attempted assessment of the property of this complainant by the said defendants, as comprising the Executive Council of the State of Iowa, in the sum of Thirty Thousand Dollars (\$30,000.00) per mile, assessed value, be held null and void and of no effect upon the grounds, and for the reasons set out and alleged in this bill of complaint, and upon such other grounds and for such other grounds as to this Honorable Court may seem just and reasonable, and may to this Honorable Court be found to exist;

And said complainant prays that meanwhile a temporary restraining order be issued in accordance with its prayer, for aforesaid preliminary injunction, and in order that said complainant may not suffer the irreparable injury and damage that it otherwise would [fol. 20] suffer, as is alleged and charged in the said bill of complaint.

Said complainant further prays for such other and further relief in the premises as to this Honorable Court may seem equitable and just.

Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. E. Riley, Donald Evans, Solicitors for Complainant.

[fol. 21] STATE OF IOWA.

County of Polk, ss:

I, Donald Evans, being first duly sworn on oath, depose and say that I am one of the attorneys for Iowa for the Chicago Great Western Railroad Company, which is a corporation; that as such attorney I have authority to make this affidavit; that I have read and know the contents of the foregoing Bill of Complaint, and that the statements, allegations and averments in said Bill of Complaint contained are true, except such as are stated on information and belief, and as to such, affiant believes such averments to be true.

Donald Evans.

Subscribed and sworn to before me by the said Donald Evans on this 26th day of July, A. D., 1922. W. E. Lerjequist,
Notary Public. (Seal.)

[File endorsement omitted.]

[fol. 22] And thereafter to wit. On the 26th day of July, A. D. 1922, there was filed in said cause an Order for Temporary Restraining Order which is in words and figures as follows:

[fol. 23] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER FOR TEMPORARY RESTRAINING ORDER Filed July 25, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

Complainant, upon filing its bill herein, moves the court to grant it an injunction pendente lite in accordance with its prayer in its bill, and said motion is now set for hearing on the 21st day of August, 1922, at ten o'clock, in the courtroom of this court, city of Des Moines, Iowa, and it having been made to appear by the averments of complainant's bill, which is duly verified, that there is danger of irreparable loss to complainant before the hearing of said application for said injunction can be had unless defendants herein are, pending said hearing, enjoined and restrained as prayed in complainant's said bill.

It is therefore ordered that a temporary restraining order be and it is granted, and that the defendants, Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually, and as members of the Executive Council of the State of Iowa, and [fol. 24] R. E. Johnson, individually and as Secretary of the Executive Council of the State of Iowa, be and they are enjoined and restrained, pending the further order of this court, from certifying to the auditors of the various counties in the state to or through which the lines of the railroad of complainant extend, or to the officers of any other tax district of the state, the value of any ratable portion thereof, heretofore fixed by said executive Council of the said state, as the assessed value of the property of the complainant, or from certifying to said officers 25 per centum of said value as the taxable value, or from making, fixing or certifying any other assessed values of the property of the complainant, in excess of \$9,880.00 per mile.

Done, this 26th day of July, 1922, at 6.50 P. M.

(Sgd.) Martin J. Wade, U. S. District Judge

[File enforcement omitted.]

[fol. 25] And thereafter to wit: On the 14th day of August, A. D. 1922, there was filed in said cause a Supplemental Bill of Complaint by complainants, which is in words and figures as follows:

[fol. 25] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

[Title omitted]

SUPPLEMENTAL BILL OF COMPLAINT—Filed Aug. 14, 1922

Your complainant, leave of court having been first obtained, files this its supplemental bill of complaint in the above entitled cause.

The complainant alleges that after the filing of the original bill herein and the granting of the restraining order in accordance with the prayer thereof, the defendants did on the 27th day of July, 1922, meet again for the purpose of assessing the property of this complainant for taxation, pursuant to the laws of the State of Iowa, and on said date did fix the value of said property for the purpose of taxation at the sum of Twenty-Nine Thousand Dollars (\$29,000.00) per mile instead of Thirty Thousand Dollars (\$30,000.00), as alleged in the original bill of complaint.

The complainant makes the same allegations with reference to the discriminatory and illegal character of said assessment at Twenty-Nine Thousand Dollars (\$29,000.00) per mile as are contained in the original bill of complaint and that the same is on account of the facts therein alleged, illegal and void.

[fol. 27] Complainant also respectfully shows to the court that on the same day the said defendants did, acting as the Executive Council of the State of Iowa, assess the property of other railroads within the State of Iowa at a lower proportion of their actual value than Twenty-nine Thousand Dollars (\$29,000.00) per mile bears to the actual value of the property of this complainant, and that the said assessment of the property of this complainant is of such a character as to deny to this complainant the equal protection of the law not only by reason of the fact that it belongs to a class of property which is as a class assessed upon a value bearing a much greater proportion to its actual value than farm lands throughout the State of Iowa, as alleged in the original bill of complaint, but that this complainant is also denied the equal protection of the law by reason of the fact that as a member of the class of persons owning railroad property the value of its property is fixed at a higher percentage of its actual value than is other property of the same class.

Wherefore, this complainant prays as in its original bill.

(Sgd.) Carr, Cox, Evans & Riley,

STATE OF IOWA,

Polk County, ss:

I, Donald Evans, being first duly sworn, on oath depose and say that I am one of the attorneys for Iowa for the Chicago Great Western Railroad Company, which is a corporation; that as such attorney I have authority to make this affidavit; that I have read and

know the contents of the foregoing Supplemental Bill of Complaint, and that the statements, allegations and averments therein contained are true, as I verily believe.

(Sgd.) Donald Evans.

Subscribed and sworn to before me by the said Donald Evans on this 12th day of August, A. D. 1922. (Sgd.) Clifford V. Cox, Notary Public in and for Polk County, Iowa.
(Seal.)

[File endorsement omitted.]

[fol. 28] And thereafter to wit: On the 23rd day of October, A. D. 1923, there was filed in said cause a resistance by defendants, which is in words and figures as follows, to wit:

[fol. 29] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESISTANCE—Filed Oct. 23, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

Come now Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa, and R. E. Johnson, Secretary of the Executive Council of the State of Iowa, and show to the court that they have just grounds for resistance to the issuance of a temporary or interlocutory injunction as prayed for in the bill of complaint of the complainant herein, and just grounds upon which they believe that said bill of complaint should be dismissed, and they do hereby resist said application for a temporary or interlocutory injunction, and as grounds for such resistance show to the court each and all of the matters and things, to wit:

1. It affirmatively appears upon the face of said bill of complaint [fol. 30] that the suit of the complainant is in effect a suit against the sovereign State of Iowa, which suit is brought without the consent of the State of Iowa, and such consent is expressly withheld.

2. It appears upon the face of the bill of complaint that the complainant is attempting and seeking to interfere with, dislocate and stop the functioning of the government of the State of Iowa, and therefore the application for temporary injunction should be denied and the complaint dismissed.

3. That this court has no jurisdiction of this controversy or of the persons of the defendants or of the subject matter of the suit.

4. That this complainant has a full, complete and adequate remedy at law.

5. That there is no equity in the bill of complaint.

6. It affirmatively appears upon the face of the bill that there is no diversity of citizenship between the complainant and the defendants such as is requisite to sustain the jurisdiction of this court, no Federal question being raised or presented by the bill, and it affirmatively appearing from the face of the bill that the complainant is a citizen and resident and an inhabitant of the State of Iowa.

7. The bill upon its face seeks to review, interfere with and control the exercise of the judgment, discretion and power reposed in the defendants under and by virtue of the provisions of the laws of the State of Iowa.

8. This suit is an unwarranted, unjustified and illegal attempt to secure judicial invasion of the legislative and executive powers vested by the constitution of the State of Iowa and the laws of the State of Iowa in the legislative and executive departments of the government of the State of Iowa.

[fol. 31] 9. It affirmatively appears from the face of the bill of complaint that the property of the complainant has been assessed for taxation at less than its actual value and at less than the statutes of the State of Iowa require that the same shall be assessed, and therefore it has no just grounds for complaint, and alleges no equitable right to injunctive relief.

10. This suit is in effect a collateral attack upon the actions of the several assessorial bodies of the State of Iowa over which this court has no jurisdiction.

11. No offer or tender of taxes, conceded to be and which the court finds to be due, has been made or tendered to any of the several taxing districts of the State of Iowa without demanding a receipt in full.

12. No irreparable injury or damage to the complainant will result by a denial of injunctive relief, while the granting of such relief will dislocate and paralyze the functioning of the State of Iowa.

13. The decisions of officers and tribunals specially created and charged in tax laws of the State of Iowa with the duty of valuing property for taxation, and equalizing such valuation, are final and conclusive.

14. Inequalities in valuations made under a valid law of property subject to taxation do not constitute grounds for enjoining the assessment of the tax in the absence of a clear showing of fraudulent discrimination upon the part of officers and agents charged by the law with the duty of making the valuations of the property which it is alleged has been discriminated against.

15. The Executive Council of the State of Iowa acts as an original assessing body only as to those classes of property expressly provided by statute to be assessed by it, and as to the assessment of such [fol. 32] classes of property the exercise of its discretion, in the absence of fraud, is final and conclusive.

16. The Executive Council of the State of Iowa, sitting as a Board of Review, has not power or jurisdiction to assess any prop-

erty in the State of Iowa, but has power and jurisdiction only to equalize assessments already made as to certain classes of property between and among the several counties of the State.

17. The bill does not claim that, or present the question whether all railroad property has been over-assessed, or relatively over-assessed, as compared with farm lands or other property within the State; but complainant only claims that its property has been assessed relatively more than at certain other general class of property; in other words, the bill presents only the complaint of an individual tax payer, that its property has been assessed by the Executive Council at a relatively greater valuation (not at less than its actual value) than a certain other general class of property, namely, farm lands. The court has no jurisdiction to entertain complainant's suit or to grant the complainant injunctive relief.

18. The bill of complaint shows on its face that the reason for the objection to the valuation placed by the Executive Council on the property of the complainant is the fact that farm property within the State of Iowa has been for the purpose of assessment, as alleged by the complainant, under valued by the Executive Council, and the defendants show to the court that under the laws of the State of Iowa the Executive Council has no jurisdiction to, and they have not valued farm property for taxation; further, that farm property is not in the same class of property as that of complainant herein.

19. The defendants for further resistance to the bill of complaint allege that the farm lands of Iowa constitute approximately 51 per cent [50.33] of the total assessed property of the State. That complainant's property constitutes less than 1 per cent of the total assessed property.

Defendants further aver that the claim of the complainant in this suit is: that there has been an unjust discrimination in favor of farm lands. The defendants aver, however, that other large classes of property within the state of Iowa have been assessed at substantially 100 per cent of their value, and that to grant relief in this case would work an irreparable injury to such other classes of property, and to impose an unjust burden upon such classes of property without leaving the tax payers represented in each of such classes of property a just and adequate remedy at law.

It is further averred in this connection that in determining whether or not there has been an unjust discrimination or an unjust burden imposed upon the complainant, that all of the classes of property within the state of Iowa subject to assessment are to be considered in determining the average percentage or burden of taxation borne by each of said several classes of property and the average burden borne by each individual property, and defendants further aver that the average burden borne by property as a whole must be considered, and that the average percentage at which all classes of property in the state are assessed must be considered, and defendants allege that taking into consideration *et al* of the property of the state at the rate and value at which it is assessed that no unjust, unfair or inequitable burden has been imposed upon the complainant's property.

20. The defendants further aver that under the laws of the state of Iowa the Executive Council is vested with a discretion of a legislative character for the purpose of fixing the value for assessment purposes of property within the class of complainant's property; that the properties within the class of complainant's property are assessed in an entirely different manner and upon an—

[fol. 34] 21. The defendants further allege that under the laws of the state of Iowa real estate is not valued for assessment purposes in the year 1922; that the value fixed in the year 1921 carries over and becomes the valuation for the year 1922, with the exception of improvements and changes as provided by the laws of Iowa, and that, nevertheless, in truth, there has been no exercise of discretion by the assessing bodies of the state of Iowa as to real estate for the year 1922, and no discrimination of any kind by any of the assessing bodies of the state of Iowa as alleged in the bill of complaint.

22. The defendants further aver that if there has been any discrimination in fact, in the assessment for taxation of property, or of classes of property within the state of Iowa, either in the year 1922 or in any previous year thereto, the discrimination has been not against but in favor of railway properties, including the property of the complainant.

That the total assessed value as equalized and adjusted of all property within the state of Iowa, including town and city lots, farm lands, live stock and other property, excepting alone the railway property for the year 1913, and for each successive year thereafter, was as follows:

1913.....	\$3,553,632,382.00
1914.....	3,636,154,538.00
1915.....	3,735,532,144.00
1916.....	3,809,941,970.00
1917.....	3,885,086,617.00
1918.....	4,119,309,290.00
1919.....	4,477,992,626.00
1920.....	4,712,590,188.00
1921.....	4,809,623,065.00

That the total assessed values of complainant's property within the state of Iowa subject to assessment by the Executive Council for the year 1913 and for each successive year thereafter were as follows:

[fol. 35] 1913.....	\$24,415,140.00
1914.....	23,178,930.00
1915.....	23,075,280.00
1916.....	23,075,280.00
1917.....	23,075,280.00
1918.....	23,075,280.00
1919.....	23,075,280.00
1920.....	23,075,280.00
1921.....	23,075,280.00
1922.....	22,306,104.00

That the total assessed value of all railway properties within the state of Iowa subject to assessment by the Executive Council for the year 1913, and for each successive year thereafter, were as follows:

1913.....	8320,426,884.00
1914.....	321,664,008.00
1915.....	324,600,368.00
1916.....	324,600,380.00
1917.....	325,753,908.00
1918.....	325,445,892.00
1919.....	324,857,796.00
1920.....	326,958,204.00
1921.....	329,974,735.00
1922.....	326,621,939.00

That by virtue of all of the facts pleaded in this paragraph, the complainant is not entitled to relief in this suit in an amount in excess of the difference between the valuation placed upon its property by the Executive Council of the state of Iowa in the year 1922, and the valuation placed upon its property for the years prior to 1922, in which valuations it acquiesced and upon which valuations it paid taxes over a long period of years, without protest and without question; and by virtue of such facts complainant is estopped from claiming any relief in this suit to an extent greater than the amount of the difference between the valuation of its property as found by the Executive Council in 1922, and the valuation placed thereon by the Executive Council for years prior to 1922, in which valuation it acquiesced, as above alleged.

23. Further answering the bill of complaint the defendants aver that the complainant is not entitled upon the facts alleged in the bill [fol. 36] of complaint to relief in this. That the claim of value upon which the alleged claim of discrimination is based, is not common to the two classes of property, namely, complainant's property and farm lands. That there can be no claim of discrimination as against one class of property and in favor of another, except upon a common basis of value, and upon a common manner and method of fixing such value.

24. The defendants deny each allegation of each paragraph of the complainant's bill, not hereinafter admitted, and asks leave to submit proofs in connection therewith.

25. The defendants further allege that the Executive Council of the State of Iowa for the year 1922 reduced the total assessment of the complainant's property in the sum of \$600.00 per mile. That such reduction was below the amount at which the complainant's property had been assessed since 1913, and that during said period of time complainant's property has greatly increased in value as shown by the official reports of the Board of Directors of said complainant, the reports filed with the Interstate Commerce Commission of the United States of America, the reports filed with the Executive Council of the State of Iowa, the reports filed with the Railroad Commission of the State of Iowa, and that during the same period of time farm lands

have been increased for assessment purposes as shown by the assessments of farm lands of the state of Iowa in the records and files of the Auditor of State of the State of Iowa. That by reason of said facts and by reason of all of the facts alleged and set out in this resistance the complainant is not entitled to any relief and this suit should be dismissed.

[fol. 37] 26. The defendants further allege that the complainants appeared before the Executive Council of the state of Iowa in the year 1922 and submitted reports and proofs as to values, which reports and proofs show that the assessment value of complainant's property as fixed by the Executive Council is fair, just and equitable, and that to grant a temporary injunction in this suit would work great and irreparable injury to the state of Iowa, and to each and every tax payer of the state of Iowa, and the defendants acting for and on behalf of said tax payers of the state of Iowa allege that the complainant is estopped from claiming any of the matters and things alleged in the bill of complaint, and is not entitled to equitable relief herein.

Wherefore, the defendants, Nathan E. Kendall, as Governor of the State of Iowa; Walter C. Ramsay, as Secretary of State of the State of Iowa; Glenn C. Haynes, as Auditor of State of the State of Iowa; W. J. Burbank, as Treasurer of State of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, pray that complainant's application for a temporary injunction herein be denied; that the restraining order heretofore issued herein be dissolved, and that they may go hence with their costs.

Ben. J. Gibson, Attorney General of Iowa; Bruce J. Flick,
Neil Garrett, J. H. Henderson, Solicitors for Defendants.

[fol. 38] STATE OF IOWA.

County of Polk, ss:

I, Ben J. Gibson, being first duly sworn depose and say: That I am Attorney General of the State of Iowa, and as such an attorney for Nathan E. Kendall, as Governor of the State of Iowa; Walter C. Ramsay, as Secretary of State of the State of Iowa; Glenn C. Haynes, as Auditor of State of the State of Iowa; W. J. Burbank, as Treasurer of State of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and have authority to make this affidavit; that I have read and know the contents of the foregoing resistance to application for temporary injunction, and that the statements, allegations and averments in said resistance contained are true, except such as are stated on information and belief, and as to such affiant believes the same to be true.

(Signed) Ben. J. Gibson.

Subscribed and sworn to before me and in my presence by
Ben J. Gibson this 21st day of October, A. D. 1922. (Sgd.)
Winogene Hobbs, Notary Public in and for Polk County,
Iowa. (Seal.)

[File endorsement omitted.]

[fol. 39] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause *Per Curiam*—Memorandum Opinion of Hon. Kimbrough Stone, Circuit Judge, Hon. Thomas C. Munger, District Judge, and Hon. Martin J. Wade, District Judge, which is in words and figures as follows:

[fol. 40] UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF IOWA

In Equity. No. 4196

THE CHICAGO, GREAT WESTERN RAILROAD CO., Complainant,

v.

NATHAN E. KENDALL et al., Defendants.

In Equity. No. 4198

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Complainant,

v.

NATHAN E. KENDALL et al., Defendants.

Before Stone, Circuit Judge, and Munger and Wade, District Judges.

[fol. 41] MEMORANDUM OPINION. Filed Nov. 10, 1922

Per Curiam:

These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company and the Chicago Great Western Railroad Company respectively. The applications were heard together and both will be covered in this opinion.

These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38% of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75% of actual value. The Great Western claims the same as to farm lands and that its property was intentionally assessed at 44.5% of actual value. A reduction in the valuation by the Council, after the Great Western filed its bill, would reduce this claimed percentage to slightly over 44.5% of actual value.

There is no claim that the Council misinterpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it

may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S. 66, *Greene v. Ry.*, 214 U. S. 439, *Raymond v. Traction Co.*, 207 U. S. 20 and *State Railroad Tax Cases*, 92 U. S. 575. Therefore, this court has, under the allegations of the complaints, jurisdiction of these cases and must examine and determine them.

[fol. 12] At the threshold of this examination, it is of vital importance to state the limits within which this inquiry must be confined. Assessments of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S. 575, 615. Courts can not act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for general taxation purposes. This power, however, is restricted and defined by those statutes and by the state constitution. Of those restrictions, the ones here vital relate to equality of valuation. Because of difference in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and requirement is that property in each of the above classes shall be assessed at full actual value (Sees. 1305, 1334 A and 1336 Iowa Code). The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (*State Railroad Tax Cases*, 92 U. S. 575 at 612) "perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized." And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and, second, for the practical [fol. 13] reason (as said by Justice Miller in the above case, p. 610) "as all valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter." But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every tax payer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters,

to instances where the allegations and the proof show wilful, intentional wrong valuation, has been established by many cases in the Supreme Court. Application of the doctrine is well illustrated in *Albuquerque Bank v. Perea*, 147 U. S. 87; *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350; *Raymond v. Traction Co.*, 207 U. S. 20 and *Greene v. Ry.*, 244 U. S. 199. In the *Albuquerque Bank* and *Sunday Lake Iron Co.* cases, the court refused to interfere. In the *Raymond* and *Greene* cases, injunctions issued and were upheld.

Therefore, the inquiry here is not whether the property of these complainants was overassessed as compared with farm lands but whether the Executive Council intentionally so overassessed such property. The complaints allege that such was the case.

We start into the proof with the presumption that the Council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant [fol. 44] circumstances. We may examine the action of the Council in the light of the facts before it and upon which it must have based its action.

As to farm land values, we are aided by a stipulation which places the average value in the state at \$125.00. The average assessment, by the local boards, was \$76.00. This was a fraction over 61% of actual value. It seems to be conceded by counsel for the respondents that respondents knew of this underassessment. If not conceded, the proof is ample that they did know it. Therefore, in assessing complainants' property, they were obligated to apply a relatively similar per centage of valuation. Does the evidence convince that they failed to do so and that such failure was intentional?

In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the Council. That problem was to ascertain the value of the property, in Iowa, of two large interstate railway systems. The statutes of Iowa contemplate that the Council shall, in such cases, assess the "entire railway within the state" (Sec. 1336, Code). It includes all real estate (Sec. 1334 A and 1336, Code), personality (Sec. 1336 Code) and intangibles (Sec. 1336 and 1334 and 1340A Code). It is contended by complainants that intangible property is not included but we think the above sections are intended to cover such property and that the valuation is to be upon the entire property as a going concern. The difficulties of ascertaining the value of a single, simple thing, as a house, a building or a tract of land are evident and have been experienced by every court. How infinitely much more complicated and difficult must always be the valuation of a large railway property! For a half century the courts have struggled with this problem and have not yet settled even the bases to be used in determining such value. There have been innumerable cases before the Supreme Court involving the valuation of large public utili-

[fol. 45] ties for taxation and rate purposes. In no one of them has it been laid down that any particular basis or method of ascertaining such value was exclusive or controlling. The most that has been decided is that certain bases or methods bore directly upon value and were useful in determining it. Such recognized bases are cost price, reconstruction cost price, market value of stocks and bonds and capitalization of net income. The uncertainties concerning selection of any one basis, or combination of bases, as a standard of value is also made evident by the sharp conflict between economists, accountants and students of this subject. They never have agreed and they do not now agree. This uncertainty is further emphasized in these cases where counsel for The Rock Island present six bases (par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6%, capitalization of net income at 7%, capitalization of Government rental at 6% and property investment as shown in Ex parte $\neq 74$, a valuation proceeding by the Interstate Commerce Commission), the Great Western presents five (physical value, capitalization of net earnings in Iowa at 5%, market value of stocks and bonds, capitalization of net earnings allocated to Iowa at 5%, Government rental capitalized at 5%) and respondents present three (investment cost, reproduction cost and valuation under Ex parte $\neq 74$).

The difficulty does not stop with the bases of value. It continues into the bases of allocation to Iowa of a proper proportion of the non-fixed property and intangibles. There are, at least, twelve different bases suggested in these cases. As to the Great Western, the six bases suggested by it do not widely vary, the extreme percentages to Iowa being 49.97% and 54.55%. As to the Rock Island, the variation is from 7.25% to 29.63%. As to the Rock Island the respondents contend for a ratio to Iowa of 27.4%.

All of these theories as to bases of value and bases of allocation were before the Council. We are not informed as to which of these theories or combination of theories the Council adopted or what weight it gave to any one or more. All of these bases have some [fol. 46] logical bearing upon the matter. As no one has been settled upon, in the decisions, as controlling, the propriety of selection remains a matter of fact (*Groesbeck v. Ry.*, 250 U. S. 607, 615) to be determined by the Council, which is the body required by law to make the assessment. In the absence of evidence as to the bases employed, we cannot impugn the good faith of the Council if the result reached by it is substantially justified by the application of any one, or combination, of these bases to the facts before it. Nor, direct evidence of intent being absent, can we impute bad intention if (aside from all theories of valuation and allocation) the Council had before it direct evidence of value which rational men would use and which could justify the result reached.

There remains the test of the intent of the Council in the light of the above considerations and of the facts before it. We were told at argument that the Council had before it all of the facts here presented. In considering the facts, the evidence is different as between

the two complainants and each must, therefore be considered separately.

The Rock Island

The affidavit of L. A. Hermany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6%, capitalization of net income at 7%, capitalization of Government rental at 6%, and value under Ex parte ± 74 . These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these facts and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result and, therefore, either of the method- or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess [fol. 47] of \$40,500.00 per mile in Iowa on a mileage of 2,202.335 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be sure, the Council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate "business." However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The Council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the Council, the ratio of assessed value would be slightly over 60% as against 61 Plus $\frac{1}{2}$ for farm lands.

There was, however, before the Council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the Council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Inter-State Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the Commission; the protest filed by the company to the tentative valuation findings of the Inter-State Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the Commission shows a total value [fol. 48] tion of over \$137,500,000.00. It seems doubtful whether the item therein of "General Expenditures," totalling over \$11,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00.

If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50% as compared with 61 plus $\frac{1}{2}$ for farm lands.

The above protest filed by the company with the Inter-State Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66% thereon as compared with 61 plus $\frac{1}{2}$ for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

In the above annual report to the stockholders, for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81% (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 plus $\frac{1}{2}$ as against 61 plus $\frac{1}{2}$ for farm lands.

In view of the above possible findings, based on evidence before it, we cannot say that the Council intentionally overassessed the property.

The Great Western

We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Inter-State Commerce Commission, [fol. 49] the assessed value is 66 plus $\frac{1}{2}$ if the figures of the carrier be correct or 54 plus $\frac{1}{2}$ if the figures of respondents are right. Using the reports to the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50% is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40% thereof. Using this same method as to the value found in Ex Parte ≈ 74 , the result is slightly above 40%.

We conclude, therefore, that the Council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

In the above valuations of the two roads, no account has been taken of intangible values. We have thought it unnecessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these applications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the Council

to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the Council.

Our conclusion is, therefore, that the applications should be and they will be denied.

[File endorsement omitted.]

[fol. 50] And thereafter to-wit: On the 10th day of November, A. D. 1922, there was filed in said cause a Petition for Allowance of Appeal, which is in words and figures as follows:

[fol. 51] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ALLOWANCE OF APPEAL—Filed Nov. 10, 1922

To the Honorable Judges of the District Court of the United States for the Southern District of Iowa, Central Division:

The Chicago Great Western Railroad Company, the above named complainant, feeling aggrieved by so much of the interlocutory decree rendered and entered in the above entitled cause on the 10th day of November, 1922, as denies the application of the complainant for a temporary injunction and refuses the complainant a temporary injunction restraining the above named defendants, and each of them, from certifying to the auditors of the various counties of the state to and through which the lines of railroad of complainant extend, or to the officers of any other taxing district of the state the value or any ratable portion thereof heretofore fixed by the Executive Council of said state as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, does hereby appeal from [fol. 52] such interlocutory decree herein mentioned to the Supreme Court of the United States for the reasons set forth in the assignment of errors filed herewith, and it prays that its appeal be allowed pursuant to Section 236 of the Judicial Code, and that citation be issued as provided by law, and that a transcript of the record and proceedings and documents upon which said decree was based, duly authenticated, be sent to the Supreme Court of the United States sitting at Washington, in the District of Columbia, under the rules of such court in such cases made and provided.

Your petitioner shows that in the above entitled cause said petition claims that the act of the defendants in certifying or utilizing the said assessment of the property of complainant devoted to railroad purposes in the State of Iowa as made or fixed by the Executive

Council of the State of Iowa constitutes the subjection of the property of complainant to taxation at a greater rate or upon a greater basis than other classes of property subject to taxation in the State of Iowa, and is contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States providing that no state shall deprive any person of his property without due process of law nor deny to any person the equal protection of the laws, and that the amount in the above entitled suit on appeal exceeds in interest and costs the sum of Five Thousand (\$5,000.00) Dollars.

Wherefore your petitioner prays that said appeal may be allowed and that upon complainant giving bond in an amount fixed by this court, said appeal may operate as a supersedeas and may suspend during the pendency of said appeal the effect of the order denying [fol. 53] said injunction, and petitioner shows to the court that unless a stay is granted which will preserve the status of the litigation until an appeal may be heard, the act sought to be enjoined will have been committed, and the petitioner thus deprived of the fruits of a successful appeal, and petitioner prays for all other and further relief to which it may be entitled.

Ralph M. Shaw, Walter H. Jacobs, Donald Evans, Clifford V. Cox, William F. Riley, Solicitors for Complainant,
Carr, Cox, Evans & Riley, Of Counsel.

[File endorsement omitted.]

[fol. 54] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Assignment of Errors which is in words and figures as follows:

[fol. 55] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ASSIGNMENT OF ERRORS—Filed Nov. 10, 1922

Now comes the complainant, Chicago Great Western Railroad Company, and files herewith its petition for allowance of appeal, and says that there are errors in the record and proceedings in the above entitled cause, and for the purpose of having the same reviewed in the United States Supreme Court makes the following assignment of errors:

1. The said court, constituted under the provisions of Section 236 of the Judicial Code, erred in denying to complainant the relief prayed for.

2. The said court, constituted under the provisions of Section 265 of the Judicial Code, erred in denying to complainant a temporary

injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.

3. The said court, constituted under the provisions of Section 263 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed for, for the reason that the use or certification [fol. 56] of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.

4. The said court, constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or allegations of its bill upon final hearing.

5. The said court, constituted under Section 266 of the Judicial Code, in denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

6. That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

8. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of the law, all contrary to and in violation of the [fol. 57] Fourteenth Amendment to the Constitution of the United States.

9. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

10. The said court, so constituted under Section 263 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at law or in equity, and will be subjected to a multiplicity of suits.

11. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of complainant's property the sum of

Twenty Nine Thousand Dollars per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335 and 1336, of the Code of Iowa of 1897, as amended.

12. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction [fol. 58] as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382, of the Code of Iowa, as amended, and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to the United States Constitution. \$29,000.00.

14. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed, for the reason that the act of said defendants, acting as the Executive Council of the State of Iowa in certifying or utilizing as the value of complainant's property for taxation purposes the sum of — per mile while other railroads are assessed as a lesser proportion of their actual value constitutes a discrimination against this complainant, and denies to it the equal protection of the laws and takes from it its property without due process of law; for the reason that [fol. 59] complainant as a member of the class of persons owning railroad property in the State of Iowa is discriminated against because the value of complainant's property for taxation purposes is fixed at a higher percentage of its actual value than is other property of the same class.

15. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant temporary injunction as prayed, for the reason that the act of the defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for the purpose of taxation the sum of \$29,000.00 per mile, constitutes a discrimination against this complainant, for the reason that other railroads in the State of Iowa are assessed at a lesser proportion of the actual value of their respective properties, all as was shown by evidence adduced, and said court by so denying said injunction denies to this complainant the equal protection of the law and takes from it its property without due process of law.

16. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction as

prayed, for the reason that the evidence adduced upon the trial shows that the act of said defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for taxation purposes the sum of \$29,000.00 per mile constitutes a discrimination against this complainant because of the fact that other railroads are assessed a lesser proportion of their actual value, and by so denying said injunction it denies to this complainant the equal protection of the laws and takes from it its property without due process of law, all contrary to the Fourteenth Amendment to the Constitution of the United States.

[fol. 60] Wherefore, the said Chicago Great Western Railroad Company prays that the decree and order of the said District Court of the United States, for the Southern District of Iowa, Central Division, appealed from herein, be reversed.

Ralph M. Shaw, Walter H. Jacobs, Donald Evans, Clifford A. Cox, William F. Riley, Solicitors for Complainant.
Carr, Cox, Evans & Riley, Of Counsel.

[File endorsement omitted.]

[fol. 61] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Order which is in words and figures as follows:

[fol. 62] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER DENYING INJUNCTION, DISSOLVING TEMPORARY RESTRAINING ORDER, ETC.—Filed Nov. 10, 1922

Now on this 30th day of October, 1922, this case having been heretofore fully heard before three Judges, to wit: Kimbrough Stone, Circuit Judge, Thomas E. Munger, District Judge, and Martin J. Wade, District Judge, and the same having been argued and submitted and the court being now fully advised, the said three Judges sitting, it was announced from the bench orally that the temporary injunction prayed herein shall be denied. And thereupon the court, consisting of the Judges aforesaid, retired from the bench.

Under the direction of Judges Stone and Munger, Judge Wade was to prepare the written order to be entered of record denying said injunction. A short time later counsel for complainant presented an oral request that the order denying the injunction and dissolving the restraining order should contain a provision suspending the force and effect of the order and continuing the restraining order in effect pending appeal to the Supreme Court of the United States.

Thereafter upon consultation individually with Judge Munger and later with Judge Stone the application was set for hearing before Judge Wade at the City of Council Bluffs on Wednesday, November 1st.

Now, to wit, on Wednesday, November 1st, 1922, appears counsel [fol. 63] for complainant and respondent and the application of complainant as aforesaid for a continuance of the restraining order was argued, and thereupon the court directed that a written application be filed and that objections thereto be filed which was later done.

Thereupon there was consultation by correspondence by Judge Wade with the other two judges in regard to the questions presented.

And now, to wit, on this 10th day of November, 1922, the matter coming on for further hearing and the court (Judge Wade sitting) being fully advised, it is now ordered and adjudged that the application of complainant for a conditional order continuing the restraining order in effect pending appeal, is denied. Exception allowed.

And therefore, it is now ordered and adjudged, in compliance with announcement of the three Judges as heretofore appearing herein application of the complainant for a temporary injunction herein be and the same is hereby denied. Exception allowed.

And it is further ordered and adjudged that the restraining order heretofore granted be, and the same is hereby dissolved. Exception allowed.

And thereupon the complainant presents petition for appeal to the Supreme Court of the United States, accompanied by assignment of errors, and also application for supersedeas praying that the appeal may operate as a supersedeas and may suspend during the pendency of said appeal the effect of the order denying said injunction.

Thereupon counsel for respondent filed resistance to the application for order of supersedeas, and the same having been presented the court being now fully advised, it is ordered and adjudged that the prayer for appeal be granted and that the application for supersedeas be granted. Exception allowed.

[fol. 64]

Order of Supersedeas

And now the petition for allowance of appeal having been granted, it is ordered and adjudged that pending such appeal the respondents Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually, and as secretary of the Executive Council of the State of Iowa, be and they are hereby enjoined and restrained from certifying to the auditors of the various counties in the state of Iowa to or through which the lines of railroad of complainant extend, or to the offices of any other taxing district of the state, the value or any ratable proportion thereof heretofore fixed by the said Executive Council of the State of Iowa, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, or from certifying or using any other assessed value of the property of the complainant in excess of \$25,520.00 per mile. The

value fixed by the Executive Council as aforesaid shall not be used for any purpose in excess of the value fixed therein less twelve per cent thereof, which per cent shall be deducted from said valuation by any officer using the same as a basis of taxation in any form.

This order is upon the following conditions:

1. That the complainant shall file a bond herein in the sum of \$50,000.00 conditioned that it will pay taxes upon any assessment of its property or ratable portion thereof in any taxing district the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the state of Iowa. Also that complainant shall pay all costs and damages which may be hereafter adjudged against it in this proceeding in this court. And the court reserves the jurisdiction to hear and determine any elements of claims for damages which may be hereafter presented.

[fol. 65] 2. That the complainant shall prosecute the appeal herein with due diligence and that upon failure to do so the respondent may apply at any time to this court for an order dissolving this order of supersedeas.

3. Counsel for respondent presents an oral application for an order permitting recovery of attorney's fees herein. This application, without prejudice, is continued until the consideration of damages as aforesaid upon the bond in case such matter is presented to the court.

4. This court retains jurisdiction herein to at any time make any order upon proper application which the court may have the power to enter pending such an appeal.

The respondent excepts to the order of the court granting a supersedeas and restraining the certifying of the full tax as aforesaid pending appeal.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 66] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Appeal Bond which is in words and figures as follows:

[fols. 67-69] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPEAL BOND—Filed Nov. 10, 1922 [for \$50,000; approved, Wade, J.; omitted in printing]

[fol. 70] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause a Supersedeas Bond which is in words and figures as follows:

[fol. 71] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

SUPERSEDEAS BOND—Filed Nov. 10, 1922

Know all men by these presents: That we, Chicago Great Western Railroad Company, as Principal, and the National Surety Company, a corporation, as Surety, are held and firmly bound unto Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of the State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, in the full and just sum of Fifty Thousand Dollars (\$50,000.00), to be paid to the said Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, their attorneys, executors, administrators or assigns, to which payment well and truly to be made, we bind ourselves, our [fol. 72] heirs, executors and administrators, jointly and severally, firmly by these presents. Sealed with our seals and dated this 10th day of November, in the year of our Lord one thousand nine hundred and twenty-two.

Whereas, the above named Chicago Great Western Railroad Company has prosecuted an appeal to the Supreme Court of the United State to reverse the decree entered in the above entitled cause on the 10th day of November, 1922, denying the application of said complainant for a temporary writ of injunction.

Now therefore, the condition of this obligation is such that if the above named Chicago Great Western Railroad Company shall prosecute its said appeal to effect and answer all damages and costs if it shall fail to make such appeal good, and shall pay taxes upon any assessment of its property, or ratable portion thereof in any taxing district of the State of Iowa, the use of which may be finally determined to be legal in this cause, together with penalties and interest, if any, as provided by the laws of the State of Iowa, then this obligation shall be void, otherwise the same shall be and remain in full force and virtue.

Chicago Great Western Railroad Company, Principal, (Sgd.)
By Carr, Cox, Evans & Riley, Its Solicitors. National
Surety Company, Surety, (Sgd.) By John I. Petty, Attor-
ney in Fact. (Seal.)

The foregoing bond is hereby approved to operate as a supersedeas as to said order or decree denying the temporary injunction entered on November 10, 1922.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 73] And thereafter to wit: On the 7th day of December, A. D. 1922, there was filed in said cause an Order by the three Judges which is in words and figures as follows:

[fol. 74] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESTRAINING ORDER—Filed Dec. 7, 1922

Now on the 5th day of December, 1922, the application for an injunction pending appeal and the resistance thereto being presented and argued to the Court, composed of the Honorable Kimbrough Stone, Circuit Judge, and the Honorable Thomas C. Munger and Martin J. Wade, District Judges, and the court being fully advised in the premises it is ordered and decreed that pending such appeal the respondents Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually and as Secretary of the Executive Council of the State of Iowa, be and they are hereby enjoined and restrained from certifying to the auditors of the various counties in the State of Iowa to or through which the lines of railroad of complainant extend, or to the officers of any other taxing district of the State, the value or any [fol. 75] ratable proportion thereof heretofore fixed by the said Executive Council of the State of Iowa, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, or from certifying or using any other assessed value of the property of the complainant in excess of \$25,520.00 per mile. The value fixed by the Executive Council as aforesaid shall not be used for any purpose in excess of the value fixed therein less 12 per cent thereof, which per cent shall be deducted from said valuation by any officer using the same as a basis of taxation in any form.

This order is upon the following conditions:

1. That the complainant shall within fifteen days file a bond herein in the sum of \$50,000.00 conditioned that it will pay taxes at the rate of levy established for the tax year 1922 upon any assessment of its property or ratable portion thereof in any taxing district the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the State of Iowa or amounts equal thereto as the court may

direct. Also that complainant shall pay all costs and damages which may be hereafter adjudged against it in this proceeding in this court.

2. That the complainant shall prosecute the appeal herein with due diligence and that upon failure to do so the respondent may apply at any time to this court for an order dissolving this order of supersedeas.

3. Counsel for respondent presents an oral application for an order permitting recovery of attorney's fees herein. This application, without prejudice, is continued until the consideration of damages as aforesaid upon the bond in case such matter is presented to the court.

[fol. 76] 4. This court retains jurisdiction herein to at any time make any proper order herein.

Upon filing and approval of the bond herein provided the injunction order pending appeal entered upon the tenth day of November, 1922 herein shall be dissolved and the bond therein discharged.

The respondent excepts to the order of the court granting a supersedeas and restraining the certifying of the full tax as aforesaid pending appeal.

(Sgd.) Kimbrough Stone, Circuit Judge. (Sgd.) Thos. C. Munger, District Judge. (Sgd.) Martin J. Wade, District Judge.

[File endorsement omitted.]

[fol. 77] And thereafter to wit: On the 8th day of December, A. D. 1922, there was filed in said cause an Application for enlargement of time to Docket Appeal, which is in words and figures as follows:

[fol. 78] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPLICATION FOR ENLARGEMENT OF TIME TO DOCKET APPEAL—
Filed Dec. 8, 1922

To the Honorable Kimbrough Stone, Circuit Judge; Thomas C. Munger and Martin J. Wade, District Judges, sitting in the District Court of the United States in and for the Southern District of Iowa under the provisions of Chapter 266 of the Judicial Code, and to each of said Judges:

The above named Complainant respectfully shows to the Court that on November 10th, 1922 it entered an Order in the above entitled cause, denying its Application for an interlocutory injunction in accord with its bill filed herein, and that upon the same day upon petition for appeal and assignment of errors duly

filed, an appeal was allowed to the Supreme Court of the United States, pursuant to the provisions of Chapter 263 of the Judicial Code, under which the Court denying the said interlocutory injunction was constituted, and on said day a citation was signed by the Honorable Martin J. Wade, District Judge, returnable within thirty (30) days thereafter.

[fol. 79] That under the provisions of Rule 9 of the Rules of Practice of the Supreme Court, it is the duty of the appellant to docket the said appeal in the Supreme Court of the United States at or before 30 days from the date of the filing of said citation by filing the record therein, unless the time is before its expiration enlarged by the Court or one of the Judges sitting therein.

The Complainant further respectfully shows to the Court that 30 days from November 10th is not sufficient time for this Complainant and Appellant to prepare the record in accordance with Rules 75 and 76 of the Equity Rules and Rule 8 of the Rules of Practice of the Supreme Court, even though it had been diligent in the preparation thereof.

Complainant shows to the Court that immediately on November 10th, upon which date the Order denying the interlocutory injunction was entered and the appeal allowed, it ordered from the Reporter a transcript of the record made in said case and immediately employed extra help for the purpose of preparing copies of Exhibits introduced upon the hearing, and since that date the work of the preparation of the record has been constant and continuous.

That there was introduced into the record upon the hearing, a number of books constituting annual reports of the Railroad Commission, much of which was immaterial to the issues presented upon the hearing upon plaintiff's application and requires, in order to conform to the Rules above referred to, the selection of such items as may be material to the issues presented upon the hearing and to be presented upon the appeal, as well as a great volume of documentary evidence, which, for the purpose of preparation of the record upon appeal, it is necessary to re-produce.

[fol. 80] Wherefore, your Complainant asks that an Order be entered, enlarging the time within which it must docket its appeal to January 10th 1923.

(Sgd.) Ralph M. Shaw, (Sgd.) Clifford V. Cox, (Sgd.)
Donald Evans, Solicitors for Complainants.

STATE OF IOWA.

Polk County, ss:

I, Donald Evans, being first duly sworn, upon oath depose and say that I am one of the Solicitors for the Complainant in the above entitled cause; that I have read the foregoing Application for Enlargement of Time to Docket Appeal and that the matters and things therein stated are true and correct as I verily believe.

(Sgd.) Donald Evans

Subscribed in my presence and sworn to before me by the above named Donald Evans this 4th day of December, 1922.

(Sgd.) N. E. Liljequist, Notary Public in and for Polk County, Iowa. (Seal.)

[File endorsement omitted.]

[fol. 81] And thereafter to wit: On the 8th day of *Decembered*, A. D. 1922, there was filed in said cause an Order enlarging time for docketing appeal which is in words and figures as follows:

[fol. 82] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER ENLARGING TIME—Filed Dec. 8, 1922

Now on this 5th day of December, 1922, the matter came on for hearing upon the application of the complainant for enlargement of time to docket appeal from an order denying an interlocutory injunction in the Supreme Court of the United States. And the court being fully advised in the premises,

It is ordered that the time for docketing the said appeal be enlarged in accord with the prayer of the application of complainant on file, until January 10, 1923.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 83] And thereafter to wit: On the 13th day of December, A. D. 1922, there was filed in said cause a Stay Bond which is in words and figures as follows:

[fol. 84] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

STAY BOND—Filed Dec. 13, 1922

Know all men by these presents:

That we, the Chicago Great Western Railroad Company, as Principal, and National Surety Company, as Surety, are hereby held and firmly bound unto the above named defendants in the penal sum of \$50,000.00.

The condition of this Bond is such that if the Complainant shall pay taxes at the rate of levy established for the tax year 1922 upon any assessment of its property or ratable portion thereof in any taxing district, the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the State of Iowa, or amounts equal thereto as the Court may direct, and also pay all costs and damages which may hereafter be adjudged against it in this proceeding in this court, then this obligation to be void, otherwise to remain in full force and effect.

[fol. 85] Witness our hands this 11th day of December, 1922.
Chicago Great Western Railroad Company, Principal, By
Carr, Cox, Evans & Riley, Its Attorneys, National Surety
Company, Surety, By John L. Petty. [Seal.]

[File endorsement omitted.]

[fol. 86] And thereafter to wit: On the 2nd day of January, A. D. 1923, there was filed in said cause a Stipulation and Precipe, which is in words and figures as follows:

[fol. 87] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

STIPULATION—Filed Jan. 2, 1923

It is hereby stipulated by the parties to the above entitled cause that the within Precipe, with Exhibits attached thereto, was served upon the Solicitors for defendants before the filing thereof, and that the record therein designated may, without further notice, be certified by the Clerk as a true and complete record in said cause.

Dated this 2d day of January, 1923.

Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm.
F. Riley, Donald Evans, Solicitors for Complainant. Ben
J. Gibson, Bruce J. Fleck, Solicitors for Defendants.

[fol. 88] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

PRECIPE—Filed Jan. 2, 1923

To Clerk of the District Court of the United States, Southern District of Iowa, Central Division:

In making transcript of the record upon appeal of the above cause, please include the following therein, and none other:

Bill of Complaint;
 Supplemental Bill of Complaint;
 Restraining Order;
 Defendants' Resistance to issue of Preliminary Injunction;
 Complainant's Exhibits 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 19
 and 20;
 Defendants' Exhibits B-1 to E-12, inclusive, H, J, L-1, M, N, O,
 P, Q, R, S, the title page of Exhibits T-1 to T-12 and page 9 there-
 from; in the form as attached hereto as Exhibit "T"; from Exhibits
 V-1 to V-8 the tables showing stocks and bonds and income as shown
 in sheets attached hereto as Exhibits V-1 and V-2; Exhibit "W"—
 Copies of all Exhibits being attached hereto;
 Order allowing Record;
 Order denying Preliminary Injunction;
 [fol. 89] Opinion of the Court;
 Petition for Appeal and Assignment of Errors;
 Order allowing Appeal;
 Order Enlarging Time for Docketing Appeal;
 Supersedeas Order entered December 7th, 1922;
 Supersedeas Bond;
 Precept;
 Stipulation of Parties.

Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. F.
 Riley, Donald Evans, Solicitors for Complainant.

[fol. 90] And thereafter to wit: On the 2nd day of January, A. D. 1923, there was filed in said cause an Order which is in words and figures as follows:

[fol. 91] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTH-
 ERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER OF EXHIBITS—Filed Jan 2, 1923

It is hereby ordered that all Exhibits designated as 1 to 20 on be-
 half of Complainant and A to Z on behalf of defendants be, and
 the same are, hereby allowed as part of the record in said cause.
 (Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 92] CLERK'S CERTIFICATE

UNITED STATES OF AMERICA,
Southern District of Iowa, ss:

I, N. F. Reed, Clerk of the District Court of the United States for
 the Southern District of Iowa, hereby certify the 91 foregoing pages

to contain a full, true and complete transcript of the record of the case of The Chicago, Great Western Railroad Company, complainant, vs. Nathan E. Kendall, Governor of the State of Iowa, et al., Defendants, as called for by the Stipulation of Counsel and the Designation of parts of the record filed January 2, 1923, by Appellant, as full, true and complete as the original thereof now on file and of record in office in the City of Des Moines, in said District.

I further certify that I transmit herewith as part of the original printed transcript Exhibits and parts of Exhibits as called for by the Stipulation of Counsel and the Designation of parts of the record filed January 2, 1923, by Appellant, and which are true copies of the original Exhibits.

I further certify that I transmit herewith as part of the original printed transcript the original Citation with acceptance of service thereof by Attorneys for Appellees.

In witness whereof, I hereunto set my hand and affix the seal of said Court at office in the City of Des Moines, in said District, this sixth day of January, A. D. 1923.

S. F. Reed, Clerk U. S. District Court, Southern District of Iowa. [Seal of the U. S. District Court, Southern District of Iowa.]

[fol. 93]

EVIDENCE: EXHIBIT No. 1

[fol. 94] *Report of the Special Tax Commission (Appointed May, 1911) to the Governor of Iowa*

1912

Authorized by Chapter 204 of the Acts of the Thirty-fourth General Assembly

Des Moines

Emory H. English, State Printer

1912

[fol. 95]

Letter of Transmittal

Honorable B. F. Carroll, Governor of Iowa.

SIR: The Special Tax Commission appointed by you in May, 1911, under the provisions of Chapter 204 of the Acts of the 34th General Assembly, by virtue of which said Commission was authorized to examine into the subject of taxation and the tax laws of the State of Iowa and other states, and to make recommendations for the improvement of the tax laws of the State of Iowa, having com-

pleted its work, submit herewith its report for your consideration and transmission to the General Assembly.

Dated October 8, 1912.

M. H. Cohen, Chas. N. Voss, A. C. Ripley, B. E. Stonebraker,
J. H. McCoulogne, Commissioners.

[fol. 96]

Preface

In response to a demand which had become quite general throughout the state for a revision of the tax laws, the 34th General Assembly passed a law authorizing the Governor to appoint a Special Tax Commission of five members to investigate the revenue laws of Iowa and of other states and report its findings to the Governor for the use and consideration of the 35th General Assembly, together with a bill or bills to carry out its recommendations. An appropriation of \$10,000 was made for this important work.

On May 17, 1911, Governor B. E. Carroll announced the membership of the Commission as follows: Mr. M. H. Cohen of Des Moines, Mr. C. N. Voss of Davenport, Mr. A. C. Ripley of Garner, Mr. B. E. Stonebraker of Rockwell City, and Mr. J. H. McCoulogne of Mason City. At the first meeting, held July 6, 1911, Mr. Cohen was elected President, and Mr. Voss, Vice-president, of the Commission; and at a subsequent meeting on August 2nd, Mr. J. E. Brindley of Ames was appointed to act as Secretary.

Since the time of its organization, the Commission has held twenty-one meetings and has been in session fifty-five days. Sixteen meetings have been held at the State House in the City of Des Moines, one at Richmond, Virginia, during the sessions of the Fifth Annual Conference of the National Tax Association, September 5-7, 1911, and the others at Davenport, Iowa, April 9-10; Topeka, Kansas, April 29-30; and Sioux City, Iowa, June 5-6, 1918. The Commission decided to go to Kansas and make a special study of the practical working of the county assessor and tax commission system of that state; first, because Kansas is a neighboring state where conditions are to some extent much the same as in Iowa; and second, it is generally admitted that the revenue machinery of that state is now being administered with as much success as in any commonwealth of the Union. Members of the Commission also visited Minnesota, [fol. 97] Colorado, Wyoming and California.

In addition to the regular meetings of the Commission, a large part of the detail work has been done through committees. In fact, the original draft of both the county assessor and tax commission bills, which were finally united into one measure, was written by committees appointed by the President of the Commission. The revenue bill, however, including all other reports prepared by committees has been carefully considered by the full membership of the Commission in its regular sessions.

During the numerous meetings of the Commission, three distinct things have been kept in mind; first, the importance of coming into

close touch with the taxpayers in order to ascertain what changes are most desired, and would, therefore, be most likely to meet with the approval of the General Assembly; second, the necessity of making a careful investigation of the tax laws of Iowa and of other states; and third, the work of drafting a revenue bill or bills to put in operation desirable and necessary reforms.

It was primarily for the purpose of determining the views of Iowa taxpayers representing the different economic interests that a session of eight days was held January 10-18th of the current year, which was preliminary to a regular State Tax Conference called by Governor Carroll to meet in Des Moines a few weeks later, on March 20-21. Great interest was manifested throughout the state in the deliberations of this Conference. Seventy-four counties and four educational institutions were represented, with two hundred eighty-one official delegates. More than a hundred other taxpayers were present at part or all of the sessions, which means that every section of the state was represented. It was for the same purpose of holding public hearings that meetings were arranged at Davenport and Sioux City, as above indicated.

It is thus apparent that the commission has taken nothing for granted, but has made an earnest effort to study the revenue laws of Iowa and of other states and at the same time ascertain the temper of the public mind regarding various proposed reforms. During all of the public hearings of the Commission, including the State Tax Conference, it has been frankly admitted by nearly every speaker that the primary defect of the present system of taxation is the lack of efficient responsible administration. In fact, it may be stated that the improved machinery of assessment provided for in the proposed revenue bill is in harmony with the best economic thought and most successful experience and is a necessary basis of other fiscal reforms which may appear advisable from time to time as circumstances may require or experience may direct.

No improvements have been suggested in the method of collecting taxes for the reason that it is generally admitted that our revenue system is more efficient along this line than in the work of assessment and equalization. The fact, however, that approximately \$400,000 is lost annually in the form of delinquent personal property taxes, shows that it is possible to place the collection of this particular tax on a more business-like basis.

Other tax problems are mentioned in Chapter V which have not been incorporated in revenue bills for two reasons: first, some important and perhaps necessary changes are impossible under Article VIII, Section 2, of the present constitution and, therefore, require a constitutional amendment; and second, the Commission believes that before certain reforms can be intelligently recommended, a more thorough investigation of all the facts should be made by a permanent state tax board.

In conclusion, the Commission desires to emphasize the importance of a more rigid economy in public expenditures, both state and local. At the present time, more than nine-tenths of the taxes levied in this

state is for local purposes, which means that the people themselves, through their local subdivisions of government, are primarily responsible for the larger part of any increase in the amount of taxation. The purpose of more efficient machinery of assessment and equalization is not to increase or decrease taxes as such, but rather to equalize and properly distribute the public burdens. The universal result, however, of more rigid state and county supervision of local assessment is to place a large amount of property, for the most part of an intangible character, on the assessment rolls, which had formerly made no contribution to the public revenue. In other words, the effect of the establishment of the state tax commission and county assessor plan is to reduce the average amount of taxes on property already listed, provided additional levies are not authorized by the people themselves to support the various functions of government. This being true, any presentation of statistics purporting to show that taxes are higher in certain states having tax commissions than in [fol. 99-107] other states which have not established such boards proves nothing at all, for the obvious reason that the levy of taxes is always a legislative function, vested in the people themselves through their chosen representatives, while the assessment and equalization of property is simply an administrative function exercised by assessors and assessment and equalization boards.

The Commission desires to express its appreciation of the courteous treatment it has received from the state officials for information and statistics furnished, and to extend to such officials the thanks of the Commission for the assistance rendered.

The Commission also wishes to acknowledge the work done by Professor John E. Brindley, Secretary of the Commission, and to accord to him credit for valuable assistance in the preparation of our report.

[fol. 108]

Chapter II

The Present Revenue System and Its Defects

Before any one can be expected to understand clearly the defects of the existing revenue system of this state, he must form in his own mind a definite outline of that system in actual operation. As a necessary supplement, therefore, of the brief historical survey already presented, it seems both logical and desirable to draw a cross section of the present system of assessment and taxation, whereby Iowa now raises more than \$36,000,000 annually for the support of state and local government. Such an outline can be arranged conveniently under the following heads: property subject to and property exempt from taxation; the basis and method of listing or assessment; the administrative machinery of assessment and equalization or review for general property; the assessment of various public service corporations, the levy and collection of taxes; and finally, certain special forms of taxation.

It is a well established principle of law that taxation is the rule, and exemption from taxation the exception. In fact, tax exemption

law, are strictly construed, no property being exempted unless it be specifically mentioned. But there is another consideration. The law, in effect, the burden of proof is on the person claiming exemption, and the presumption of law is in favor of liability for taxation.

The various kinds of local government, including city, village, township, school, and city and county boards, have in the majority of cases, no connection with the local taxation, property belonging to them. In the various kinds of corporations, except those mentioned in the above law, the exemption law applies only to the property owned by them. It is not the intention of the law to exempt the property of these corporations, but to exempt the property of the individuals who are the owners of the property. It is not the intention of the law to exempt the property of these corporations, but to exempt the property of the individuals who are the owners of the property.

It should be noted, however, that the amount of land exempted for the use of such an institution is limited to one hundred and sixty acres. This form of exemption is again quite common, in fact, well nigh universal throughout the United States.

In the next place, the statute provides very liberal exemptions in the case of farm produce and farm animals. The liberal exemptions, however, granted to the farmer should be judged in the light of the history of taxation in Iowa. For a generation or more, an effort was made to pass a law securing to the owners of real estate a privilege long enjoyed by those listing moneys and credits, viz: the right to deduct their debts from the value of his real estate. Indeed, efforts along this line have been made for more than one-half century, sometimes in the form of homestead exemption bill, and sometimes in the form of actual deduction. Senator A. Converse said, in 1874, that "exemptions should either be expunged altogether or made universal in their application."¹ While the representatives from the rural districts have not been successful in securing a law providing for the deduction of debts from the value of their real estate, they have obtained the liberal exemptions of farm produce and animals, which exemptions, if judged from the historical aspect of history, must be considered in connection with the deduction of debts from the amount of moneys and credits listed for taxation.

Finally, property exempted from taxation under the laws of Iowa includes the goods of estates of persons who by reason of age or infirmity

¹ Record of the Major John Manufacturing Co. of Iowa, 1874, Case No. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

² Iowa, 1874, 1875.

³ The Iowa Daily State Register, Vol. XIII, No. 54, March 5, 1874.

assessors are not to be considered as the proper persons to assess property. The time of assessment is not to be when the property is sold, but when the value is determined. The Commission has no objection to the method of assessment, but the method of assessment must be such as to determine the value of the property at the time of assessment. The Commission has no objection to the method of assessment, but the method of assessment must be such as to determine the value of the property at the time of assessment.

What is the proper method of assessment? The Commission has no objection to the method of assessment, but the method of assessment must be such as to determine the value of the property at the time of assessment. The Commission has no objection to the method of assessment, but the method of assessment must be such as to determine the value of the property at the time of assessment.

the fact that the value of the property is not to be determined by the fact that the property is sold, but by the fact that the property is assessed. The Commission has no objection to the method of assessment, but the method of assessment must be such as to determine the value of the property at the time of assessment. The Commission has no objection to the method of assessment, but the method of assessment must be such as to determine the value of the property at the time of assessment.

The manner of listing, however, varies with different classes of property. The general rule is that real estate is listed where the same is located and certain personal property, including moneys and credits, notes, bills, bonds and shares of stock in various corporations, where the owner lives. However, in the actual work of listing there are, of course, numerous exceptions to this general rule. For example, in many cases property must be listed by an agent, who may be a person or corporation.

Ind. (111). The revenue law provides special regulations in the case of manufacturing businesses, death, life and endowments, partnerships, partnerships, partnerships and corporations stock. The stock of death of a partnership and those partnerships of a partnership are listed at the average value of the stock during the year next preceding the time of assessment. The partnerships must be a partnership in real estate for the purposes of taxation, and

as already noted, the shares of stock under various conditions are exempted from taxation.

The shares of stock in any corporation organized under the laws of this state, whether exclusively authorized by law, and provided for the exercise of the powers of the state, shall be assessed hereafter in accordance with the provisions hereinafter provided, and the amount of capital actually invested in the state shall be ascertained and assessed under the provisions hereinafter provided. It is hereby enacted, that in assessing the shares of stock in any corporation organized under the laws of this state, the amount of capital actually invested in the state shall be ascertained and assessed under the provisions hereinafter provided.

And it is hereby enacted, that in assessing the shares of stock in any corporation organized under the laws of this state, the amount of capital actually invested in the state shall be ascertained and assessed under the provisions hereinafter provided.

And it is hereby enacted, that in assessing the shares of stock in any corporation organized under the laws of this state, the amount of capital actually invested in the state shall be ascertained and assessed under the provisions hereinafter provided.

And it is hereby enacted, that in assessing the shares of stock in any corporation organized under the laws of this state, the amount of capital actually invested in the state shall be ascertained and assessed under the provisions hereinafter provided.

And it is hereby enacted, that in assessing the shares of stock in any corporation organized under the laws of this state, the amount of capital actually invested in the state shall be ascertained and assessed under the provisions hereinafter provided. The Thirty-fourth General Assembly, in 1911, passed a law providing that state, savings and national bank stock and loan and trust company stock and moneyed capital in competition with banks should be assessed and taxed at twenty per cent rather than twenty-five per cent of the actual value thereof. This reduction from one-fourth to one-fifth was made under the claim that all other forms of property were (Vol. 112) being greatly under-assessed, or, as the law provides, the twenty per cent provision was adopted in order to place bank stock "on a taxable value relatively equal to the taxable value at which other property is now actually assessed throughout the state as compared with the value thereof."¹

Moreover, it was further provided in the same act "that no deduction for debts shall be allowed from the shares of stock of any state, savings or national bank or loan and trust company, nor from moneyed capital used in competition with banks, within the meaning of Section five thousand two hundred and nineteen (5,219) of the revised statutes of the United States."

Excluding not here discussion of the numerous forms of property listed in the first sentence, it should be stated first that banks, credits and corporation shares of stock, unless specifically exempted by law or otherwise, are assessed, and corporation shares of stock in the United States and national banks and loan and trust corporations, and moneyed capital in competition with banks, are taxed at the rate of ten per cent of the value of actual investment, the same

¹ Code, Section 1121.

² Code, Section 1121.

³ Code of 1909, title 16, § 1, Chap. 101.

The tax thus levied and collected is in lieu of all other taxes, except on real estate and personal property locally assessed, and is collected by the State Treasurer.

We come next to the all important problem of administration. The administrative machinery of assessment and taxation may be very briefly outlined. All property in the state subject to ad valorem taxation, except the property of certain public service corporations as above outlined, is listed by local assessors in the civil townships, towns and cities of the state. There are more than two thousand local assessors, and, with the exception of a few cases in the cities, they are elected biennially by the people. The work of [fol. 114] these assessors commences on the second Monday in January, and must be completed by April first. In a very real sense, this important work forms the basis of our revenue system, which is no better and no worse than the hopelessly decentralized and inefficient system of local assessment established in 1858 and which has continued to the present time.

After the completion of the assessment and the making of the assessment rolls, the work of review or equalization by local boards follows. The assessment rolls are required to be laid before the local board of review on or before the first Monday in April, it being made the duty of the township trustees or town or city council or commission to meet and adjust individual assessments in such manner as to secure the listing of all taxable property at its actual value. This important work, commenced on the first Monday of April, must be completed not later than the first day of May, and represents the only means of correcting individual assessments now provided for by the revenue laws of this State.

Local review is followed by county review, which is vested in the county board of supervisors, it being made the duty of said board at their regular meeting in June to adjust the assessments of the several townships, cities and towns of their county by adding to or deducting from the assessed value of the property in the same manner that the State adjusts assessments of the several counties of the State. In other words, county boards of supervisors may increase or decrease the aggregate assessment of a minor civil division, but are not clothed with authority to correct individual assessments. Finally, on the basis of reports submitted by the various county auditors to the State Auditor and by the State Auditor to the Executive Council, it is made the duty of the latter to act as a State Board of Review. Sitting in this capacity, the Executive Council may increase or decrease the aggregate assessed value of any county of the State and in fact may increase the total aggregate assessed value of the entire State. The council, however, the same as the county board of review, has no authority to correct individual assessments.

The making out of the tax list by the county auditors, filing of the same with the county treasurers, furnishing the Auditor of State with a certified statement "showing separately the aggregate full and taxable valuation of the real and personal property in the county, [fol. 115] and also the aggregate amount of each separate tax as

shown by the tax list,"¹ the levy of taxes in the various sub-divisions of government, the collection of taxes by the county treasurers, with the exception of the inheritance tax, insurance taxes and the tax on freight line and equipment companies which are collected by the State Treasurer, completes in general outline the machinery of assessment and taxation which now prevails in Iowa.

At the basis of the fiscal pyramid, we have the work of more than two thousand local assessors and the correction of individual assessments by local review boards composed of more than six thousand officials. Add to this long list the county boards of supervisors, county treasurers and auditors and the State Executive Council and we have an army of assessment and taxation officials composed of about ten thousand men without any central supervision or control either in the county or State.

It should be noted especially that the only authority which has power to correct errors made by the local assessors is the local board of review of which there are from eighteen to thirty in the average county of Iowa. This means that the township or other minor civil division is the important unit of local government from the standpoint of assessment on the one hand and the review or correction of individual assessments on the other. The county board of supervisors under such a system is absolutely powerless to bring about anything approaching uniformity among the minor subdivisions of a county. In fact, no adequate authority is now provided in the revenue laws of Iowa whereby the county is able to guarantee uniformity of assessment within its borders. For these and other reasons the Executive Council, acting as a State Board of Review, is not able to bring about uniformity of assessment as between the various counties of the State without doing great injustice to many individual taxpayers. The necessity of having uniformity as between the minor subdivisions of the county and at the same time among the various counties of the State is the basis of the recommendation of this Commission that a county assessor or supervisor of local assessments and a permanent State tax commission be created.

Having outlined what we believe to be an antiquated system of assessment and taxation, which in some measure is borrowed from the territorial period and has continued in force since 1872, substantially [fol. 116] in its present form, we will not consider the success or failure of the plan itself in actual operation. For this purpose, we have prepared and herewith submit the following table of statistics.

Table I represents the total amount of taxes levied for State and local purposes in Iowa from 1873 to 1911, thus showing the rapid and constant increase of the cost of State and local government. It appears that the total revenue for all purposes amounted to only \$9,360,451.79 in 1873; \$10,457,982.14 in 1880, as compared with \$15,563,974.05 in 1890; \$19,726,789.80 in 1900; \$27,550,669.84 in 1907; and \$36,197,221.58 in 1911. This enormous increase of public expenditures especially in recent years is primarily responsible

¹ Revenue Laws of Iowa, 1911, p. 96.

for the popular interest now being taken in the important subject of assessment and taxation. If the people of Iowa are to raise more than \$36,000,000 annually for the support of State and local government, which is practically double the amount levied only twelve years ago, it is highly important that this burden should be equally distributed among the taxpayers, both as to individuals and corporations. Thus with the constantly increasing public burdens, uniformity of assessment, which is the necessary basis of equality in taxation, has become more and more imperative.

[fol. 117]

TABLE I^a

Total Amount of Taxes Levied for State and Local Purposes, 1873-1911

Year	Amount	Year	Amount
1873	\$9,360,451.79	1893	\$18,297,197.54
1874	9,574,408.07	1894	18,497,483.75
1875	10,288,721.77	1895	18,785,907.49
1876	10,699,762.39	1896	18,581,429.67
1877	10,561,694.89	1897	18,353,994.81
1878	10,763,602.57	1898	18,692,480.60
1879	10,146,041.04	1899	18,891,742.78
1880	10,457,982.14	1900	19,726,789.80
1881	11,183,576.21	1901	20,600,044.23
1882	12,201,493.69	1902	22,542,580.45
1883	13,261,251.27	1903	25,657,913.58
1884	13,978,912.62	1904	25,693,543.33
1885	14,430,547.40	1905	26,061,977.03
1886	14,953,050.65	1906	26,333,163.31
1887	14,278,817.31	1907	27,550,669.81
1888	14,732,286.34	1908	29,248,378.54
1889	15,483,328.74	1909	30,747,416.51
1890	15,563,974.05	1910	32,500,045.88
1891	16,043,081.44	1911	36,197,221.58
1892	16,889,671.34		

One additional point should be suggested with reference to Table I. We refer to the comparative amounts of State and local revenue. In 1873, the taxes raised by the State represented approximately one-tenth of the total revenue of \$9,360,451.79. In 1880, there was a State levy of about \$1,000,000 as compared with the levy for State and local purposes of \$10,457,982.14. In 1885, the total revenue was more than twelve times the State levy, which is approximately the ratio prevailing at the present time. Indeed, the burden of taxation has always been largely a local burden, and, therefore, if uniformity of assessment is a necessary basis of State levies, it is vastly more essential when judged from the more important standpoint of local taxation.

^a Data compiled from the Reports of Auditor of State.

Table II gives the total and per capita assessed valuation for certain years from 1856 to 1900 inclusive. In 1856, when Iowa was for the most part a pioneer State with a population of 517,878, the assessed [fol. 118] valuation was \$164,394,413.00 or \$317.44 per capita. In 1875, when the population had reached 1,350,553, the per capita assessed valuation had fallen to \$293.52; and in 1885, with a population of 1,753,980, there was a per capita assessed valuation of only \$279.17. Finally, it should be noted that the per capita assessed valuation, which in 1857 reached the large sum of \$373.13, was only \$241.83 in 1900 and \$311.59 in 1910.

TABLE II

Total and per Capita Assessed Valuation

Years	Population	Assessed Valuation	Valuation Per Capita
1856.....	517,875	\$164,394,413	\$317.44
1857.....	562,930	210,044,533	373.13
1859.....	641,628	197,823,350	308.31
1861.....	685,713	177,244,316	251.19
1863.....	701,093	167,108,974	238.35
1865.....	756,427	215,063,401	284.31
1867.....	902,317	256,517,184	284.28
1869.....	1,045,025	294,532,252	281.84
1871.....	1,217,900	348,642,728	286.26
1873.....	1,251,340	369,124,912	294.98
1875.....	1,350,553	395,428,140	293.52
1877.....	1,445,900	404,670,044	279.87
1879.....	1,541,000	405,541,397	262.14
1881.....	1,660,000	419,102,728	252.47
1883.....	1,700,000	463,824,466	272.83
1885.....	1,753,980	489,660,081	279.17
1890.....	1,911,896	523,861,858	273.47
1900.....	2,231,853	539,737,596	341.83
1910.....	2,224,771	693,211,177	311.59

With reference to this relation between the growth of population and increase of assessed valuation, the Auditor of State in 1885 made the following significant statement:

"The total equalized valuation of property is \$489,660,081. That this figure very inadequately represents the wealth of the state needs no argument to establish. It is palpable. No observing person will contend that the state's growth in population until it now contains one and three-fourths millions of people within its borders, has not been accompanied with a much greater increase in wealth, both aggregate and productive. Yet the figures of the assessors would indicate far otherwise. * * * These figures show that, while the population of the state has increased in the last twenty-nine years

238 per cent, the assessed valuation of property has been raised only 198 per cent."¹⁶

[fol. 119] The obvious reason for this decrease in per capita assessed valuation in spite of the fact that the wealth of Iowa has increased more rapidly than the population is apparent. From a consideration of Table III, which gives the actual and assessed value of taxable property for the years 1850, 1860, 1870, 1880, 1890, 1900 and 1904, it appears that in 1850 the revenue system was fairly well adapted to the pioneer conditions of that time when practically all property was visible and consisted of real estate. The assessed value as given in the Report of the Auditor of State was nearly 100 per cent of the actual value as shown by the Federal Census Report. It will be observed, however, that the assessed value has declined very rapidly. While the census figures of actual valuation for 1910 are not yet available, it is a matter of common knowledge, in fact, is generally admitted, that property on an average is now being listed at approximately one-half of its value and assessed at one-fourth of that sum.

TABLE III¹⁷*Actual and Assessed Value of Taxable Property 1850-1904*

Date	Actual value	Assessed value	Per cent
1850.....	\$23,714,638	\$22,623,334	95
1860.....	247,338,265	185,000,000	75
1870.....	574,115,800	294,532,252	51
1880.....	1,721,000,000	409,819,020	23
1890.....	2,226,117,151	523,862,858	23
1900.....	3,271,559,959	539,737,596	13
1904.....	3,943,314,927	612,445,336	16

Table IV gives statistics of average assessed value by counties and has been compiled from data received from the county recorders and county treasurers of the state.

¹⁶ Report of Auditor of State 1885, p. 128.

¹⁷ Data compiled from the Federal Census Reports for actual valuation and from the Reports of the Auditor of State for assessed valuation.

[fol. 120]

TABLE IV¹⁸*A Study of Assessment by Counties*

Name of county	No. of transfers	No. of acres	Sale value	Taxable value	Per cent of taxable to sale value
Adair	47	5,753	\$512,144	\$56,952	11
Adams	34	3,400	306,131	36,065	11
Andubon	50	5,808	706,981	74,525	11
Black Hawk	26	3,546	341,276	35,537	10
Boone	37	3,335	352,085	43,305	12
Bremer	24	.....	154,308	20,240	13
Carroll	32	3,110	381,100	37,664	10
Calhoun	42	.....	486,983	55,515	11
Cass	17	1,797	191,954	22,195	11
Cerro Gordo	38	4,984	391,773	53,371	11
Cherokee	37	.....	486,345	41,648	8
Clay	24	3,355	294,363	31,951	10
Clayton	27	2,049	134,569	14,378	10
Clinton	40	4,038	414,583	49,400	11
Crawford	22	.....	309,128	41,187	13
Davis	36	2,940	188,385	28,101	14
Decatur	43	6,194	399,157	53,059	13
Dubuque	24	2,326	224,580	31,904	14
Emmet	48	7,301	490,521	71,928	14
Floyd	24	2,646	233,420	29,647	12
Fremont	23	2,793	258,175	26,480	10
Greene	44	6,183	679,255	65,849	10
Grundy	35	.....	685,872	70,713	10
Hancock	48	8,758	657,345	69,054	11
Hardin	19	.....	305,332	35,979	11
Harrison	24	.....	288,870	42,229	14
Humboldt	49	.....	436,333	79,491	11
Jefferson	25	2,891	331,446	36,617	11
Juniata	5	365	44,200	7,050	15
Louis	29	.....	213,087	23,421	10
Lyon	28	4,713	369,526	50,267	13
Marion	40	3,632	346,484	47,593	11
Marshall	47	.....	704,879	86,176	12
Mitchell	19	3,520	289,659	32,793	11
Montgomery	44	.....	708,376	78,398	11
Muscatine	22	2,082	217,280	31,790	10
[fol. 121]					
O'Brien	49	7,364	795,507	88,028	11
Page	44	4,580	696,165	72,478	10
Palo Alto	39	5,638	475,761	53,052	11
Plymouth	48	6,014	693,404	68,326	10
Pocahontas	44	8,100	778,554	94,006	12
Polk	29	2,480	260,625	40,825	15
Pottawattamie	24	2,843	343,481	37,200	11
Poweshiek	44	5,420	743,675	75,632	10
Ringgold	43	4,077	292,385	42,200	15

¹⁸ It will be understood that the listed value and per cent of listed to sale value of farm lands is four times the taxable value and per cent of taxable to sale value as given in this Table, and also Tables VIII-XII. In other words, where the taxable value is 13 per cent of the sale value as given in the last column of said tables, it means that said land is now being listed by the assessor at 52 per cent of what it would bring on the market in the ordinary course of trade.

Name of county	No. of transfers	No. of acres	Sale value	Taxable value	Per cent of taxable to sale value
Sac	43	.....	582,893	62,745	11
Sioux	36	4,375	606,540	59,795	10
Story	42	.....	655,427	68,339	15
Taylor	48	.....	465,189	45,588	10
Van Buren	27	2,386	140,810	.....	15
Washington	25	2,428	340,540	45,458	13
Wayne	34	3,372	226,160	31,348	13
Webster	39	4,446	379,962	51,180	13
Winnebago	22	.....	172,512	26,238	15

This Commission sent out blank forms, to the county recorder in order to ascertain the sale value of farm lands well distributed over the county. No tracts of less than forty acres were included and instructions were given that all sales should be omitted that were clearly based on a nominal or fictitious consideration. In this blank, nothing was said about taxable values; but when the sale value of said pieces of land was obtained, the descriptions of such tracts were placed on a separate blank and sent to the county treasurer, with a request that he place opposite the description of each tract the taxable value thereof. In this way the Commission secured more reliable data than would have been obtained by asking for it all on one blank, for the obvious reason that many county officials might be anxious to make the best possible showing for their own county.

While we were obliged to secure data of assessed and sale value through the co-operation of county officials, it is believed for reasons above suggested that the results are reasonably accurate and sufficient for the purposes of the Commission. Other states like Wisconsin, Minnesota, and Kansas have made a much more comprehensive study of assessed and sale value but this has been done by permanent tax commissions, granted sufficient appropriations and possessing all the [fol. 122] necessary time to do the work on a thorough, scientific basis.

A glance of Table IV which gives the number of transfers, number of acres sold, sale value, taxable value, and per cent of taxable to sale value in more than one-half of the counties of the state, shows that the taxable value of Iowa lands is approximately 12 per cent of the sale value. This means that the listed value of farm lands is slightly less than half of the sale value according to the statistics returned by the county recorders and county treasurers. It also appears that the average assessed value ranges from about 10 per cent in Carroll, Plymouth and Sioux counties to 13 per cent in Crawford, Decatur, Lyon and Washington, and 15 per cent in Polk, Ringgold, Taylor and Winnebago. In other words, Table IV shows, a very decided under-assessment of farm lands, and also substantial inequalities in the average assessed value of this class of property as between the various counties of the state. While it is not contended that this data is absolutely correct, it should be stated that the results check up fairly well with other sources of information along similar lines.

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In 1909, the Executive Council sent out blanks in order to ascertain the actual and assessed value of farm lands in the various counties of the state, said information to be used as a basis of review of equalization of aggregate county assessments, and at the same time to enable the Council to form a more accurate judgment as to the comparative assessed valuation of farm lands and railroad property. Table V gives the information along this line which was secured by the Secretary of the Executive Council. In fact, this table gives the per cent of assessed to sale value both in 1903 and 1909, the same being the only dates when information of this character was secured.

(Here follows Table V, marked side folio pages 123 and 124.)

On May 3, 1903, the Secretary of the Executive Council addressed the following letter to all county auditors:

"The Executive Council having determined that it is desirable that data be gathered relative to the actual value of lands and other property in the several counties of the state, I am directed by the governor to request, under the authority of Section 544 of the Code, that you furnish during the current month a list of lands that have been conveyed in your county between the dates May 1, 1908, and May 1, 1909, by deeds, representing the real sale value thereof, together with the actual values placed upon the same by the several assessors and as equalized by the township and county boards of equalization. [fol. 125] In selecting the tracts, endeavor to select tracts from each township of the county, if possible. Select tracts of 160 acres or more in preference to smaller tracts, and in no case select tracts of less than 40 acres. Do not report more than six descriptions in the same township nor more than an average of three for all the townships of the county. Discard transfers based on contracts made prior to 1908, where you can determine the fact from the conveyance or from information in your possession. Discard quit claim deeds and all other deeds that for any reason do not represent the actual value or present value. With this letter will be sent a printed form for the land transfers."

While the data thus collected may be incomplete the same as similar data collected by this Commission, it represents fairly well the actual conditions now prevailing in Iowa. In 1903, the ratio of assessed to sale value was as follows in selected counties: Adair, 63 per cent; Adams, 87 per cent; Appanoose, 91 per cent; Monona, 65 per cent; Polk, 93 per cent; and Warren, 100 per cent. In the same list of counties the ratio of assessed to actual sale value was as follows in 1909: Adair, 52 per cent; Adams, 52 per cent; Appanoose, 75 per cent; Monona, 57 per cent; Polk, 57 per cent; and Warren, 69 per cent. Two conclusions are apparent from a study of this table: first, that the assessed valuation decreased very materially, the general average being eighty per cent in 1903, as

[illegible]

County	Per cent	County	Per cent
Clay	7 ¹ / ₂	Ida	7 ¹ / ₂
Clayton	17 ¹ / ₂	Iowa	15
Clinton	17 ¹ / ₂	Jackson	17 ¹ / ₂
Crawford	22 ¹ / ₂	Jasper	7 ¹ / ₂
Dallas	7 ¹ / ₂	Jefferson	12 ¹ / ₂
Davis	12 ¹ / ₂	Johnson	10
[fol. 129]			
Jones	10	Polk	7 ¹ / ₂
Keokuk	10	Pottawattamie	7 ¹ / ₂
Kossuth	12 ¹ / ₂	Poweshiek	12 ¹ / ₂
Lee	12 ¹ / ₂	Ringgold	22 ¹ / ₂
Linn	7 ¹ / ₂	Sac	12 ¹ / ₂
Louis	12 ¹ / ₂	Scott	7 ¹ / ₂
Lucas	17 ¹ / ₂	Shelby	22 ¹ / ₂
Lyon	17 ¹ / ₂	Sioux	17 ¹ / ₂
Madison	22 ¹ / ₂	Story	10
Mahaska	17 ¹ / ₂	Tama	7 ¹ / ₂
Marion	12 ¹ / ₂	Taylor	17 ¹ / ₂
Marshall	7 ¹ / ₂	Union	7 ¹ / ₂
Mills	10	Van Buren	7 ¹ / ₂
Mitchell	10	Wapello	7 ¹ / ₂
Monona	12 ¹ / ₂	Warren	17 ¹ / ₂
Monroe	17 ¹ / ₂	Washington	15
Montgomery	12 ¹ / ₂	Wayne	7 ¹ / ₂
Muscatine	7 ¹ / ₂	Webster	12 ¹ / ₂
O'Brien	17 ¹ / ₂	Winnebago	22 ¹ / ₂
Oscola	17 ¹ / ₂	Winneshiek	17 ¹ / ₂
Page	7 ¹ / ₂	Woodbury	7 ¹ / ₂
Palo Alto	17 ¹ / ₂	Worth	10
Plymouth	22 ¹ / ₂	Wright	15
Pocahontas	7 ¹ / ₂		

This Commission has no criticisms to offer concerning the action of the Executive Council in making the increased assessments above outlined; nor does the Commission pass any judgment as to the equity of the increase made by the Council in any county or group of counties. Indeed, the more one investigates the tax question in general, the less he is inclined to criticize any particular official or board, beginning with the local assessor and ending with the State Board of Review, and the more he is compelled to realize that the primary fault is with the system itself, which by its provisions is almost entirely *ex officio* in its personnel, and, therefore, inefficient in its actual operation.

The equalization made in 1911 by the Council, or any equalization in the past or which may be made in the future, is open to most serious criticism under the existing revenue system for the following definite reasons: No trustworthy data can be secured through public channels at the present time, affording easy comparison as between assessed and sale value of farm lands; the same

[fol. 130] is true regarding town lots; and the assessment of the railroads and similar public service corporations is based on reports required to be submitted to the Council, the correctness of which they have no personal knowledge. This being the case, the work of review or equalization, first by the county boards of supervisors, and later by the Executive Council, must be very unsatisfactory and will continue to be so until adequate revenue machinery is provided similar to that outlined in the bill drafted by the Commission.

It should be one of the important duties of the county assessor to collect statistics of sale values, both of farm lands and town lots. Moreover, it should be one of the important functions of a permanent tax commission to make a complete inventory of all the property of the so-called public service corporations in order to form some intelligent idea as to whether or not that class of property is being assessed higher or lower than farm lands on the one hand or city property on the other. The equalization made in 1911 would tend to show that statistics of this kind are desirable to secure an equitable distribution of the public burdens, and that owners of all classes of property will be benefited by creating the office of county assessor and a permanent tax commission in order to obtain the necessary information on which to base a more accurate and trustworthy review of assessments.

Tables III to XII, inclusive, give the taxable and sale value of individual tracts of real estate well distributed over the following counties: Adair, Boone, Cerro Gordo, Hancock and Wayne. The under-valuation of property already outlined and the absence of adequate information on which to compare the assessed values of farm lands and city property with that of public service corporations in making equalization by the Executive Council, while a serious defect, is by no means the most important one in the present revenue system. Inequalities between various classes of property are undesirable and should be removed by a more efficient system of assessment and equalization, but the most serious objection, however, lies behind and deeper than the mere question of comparative aggregate assessments of taxing districts or of different forms of property. We refer to the inequalities between individual property holders whether persons or corporations.

[fols. 131-148]

TAX COMMISSION REPORT

TABLE VIII

Adair County

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
1	80	\$8,800	\$836	9.5
2	80	5,000	724	14
3	160	24,000	2,294	10
4	40	3,500	357	10

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
5	80	4,800	633	13
6	200	12,000	1,163	10
7	80	4,950	871	18
8	160	10,000	1,764	18
9	80	7,200	642	9
10	160	22,500	1,650	7
11	254	20,170	2,324	12
12	160	16,000	1,650	10
13	80	7,600	792	10
14	160	11,000	1,466	13
15	83	6,200	862	14
16	160	11,400	2,016	14
17	40	2,200	391	18
18	240	24,000	2,105	9
19	80	6,500	719	11
20	160	11,200	1,485	13
21	81	8,000	846	11
22	160	12,000	1,476	12
23	180	4,800	633	13
24	73	9,700	948	10
25	160	17,600	1,557	9
26	160	15,100	1,559	10
27	80	5,600	792	14
28	80	7,200	881	12
29	80	5,200	724	18
30	100	11,500	1,140	10
31	80	6,800	705	11
32	160	8,800	1,175	13
33	84	7,824	732	9
34	160	15,600	1,569	10
35	160	12,000	1,557	13
36	160	16,000	1,650	10
37	141	16,200	1,409	9
38	40	5,000	550	11
39	160	13,760	1,650	12
40	80	8,800	995	11
41	80	7,000	719	10

[fol. 149]

Chapter IV.

The County Assessor and Tax Commission System

The necessity of providing some efficient plan of state and county supervision of local assessment including the assessment of public service corporation, is based upon the following important considerations:

Low Assessment

By making a careful comparative study of actual valuations as given in the report of the Federal Census and assessed valuations to be found in the report of the Auditor of State, the Commission has discovered that in 1850 property was being listed for taxation at approximately its entire sale value. At the present time, it is being listed at about one-half of its sale value and assessed at one-fourth of that amount.

In this connection, it should be stated that political economists and tax administrators almost universally agree that while it is theoretically possible, it is practically impossible to secure uniformity of assessment, and, therefore, equality of taxation, except on the basis of actual value. The moment a fractional basis is introduced, tax rates will be increased in the same proportion and a different valuation will be given to each individual or class of property being listed for taxation. Indeed, the idea that all property subject to ad valorem taxation should be listed at its actual value is recognized by law in every state except Alabama, and may also be found in every revenue law that has been adopted by the General Assembly of Iowa. The fact that in forty-seven states, property is required by law to be listed at its actual value, shows that assessment at actual value is generally considered fundamentally sound and the only practicable means of securing [fol. 150] equality of taxation, and the additional fact that in this state the machinery of assessment and equalization has been absolutely unable to realize this ideal, but has departed farther and farther from it, furnishes one of the strongest arguments in support of the proposal to create the office of county assessor and, at the same time, establish a permanent state tax commission.

Inequalities of Assessment

Low assessment or under-valuation of property, however, is not the most important defect in the working of the present revenue system in this state. As already stated, it is theoretically possible to secure equality of taxation on the basis of fractional assessment. For example, if all property were listed at one-tenth of its value, the only effect would be to multiply tax rates in the same proportion, granting that the same amount of money was raised for the support of schools, the building of roads and bridges and other legitimate functions of government.

Uniformity, however, has been the exception and inequality the rule, wherever under assessment has prevailed. In this state, a study of assessed and actual values on the basis of the sale method shows that inequalities exist, even in the listing of farm lands. An investigation of more than sixty counties shows that some farms are now being listed for taxation at double, and even three times, the amount of other farms in the same county, although having in fact substantially the same value. In other words, some of the farmers of Iowa are bearing from two to three times their just burden of state and local taxation in comparison with their immediate

neighbors. When we come to town lots, and large corporate property, if it is especially of an intangible character, the inequalities are vastly greater, a fact which has been almost universally proved by other tax commissions throughout the United States.

The present Special Tax Commission has not been clothed with the necessary powers, nor has it had sufficient time, to make a complete valuation of the different forms of corporate property. We refer not only to the property of railroads, telephone and telegraph companies, or the so-called public service corporations, but also to industrial corporations and large property holdings in general, whether individual or corporate.

[fol. 151] In this connection, it should be stated that until a complete inventory of the property of public service corporations has been made, and until a more comprehensive investigation of the actual value of rural and city property has likewise been carried on, by county assessors under the supervision of a tax commission or some like authority, any statement as to whether this class of property or that class of property is bearing more or less of its share of the public burden will be mere guess-work. At the present time, no reliable data exists which makes it possible to make any reasonably accurate comparison of the relative burden of taxation now being borne by farm lands, town lots and the property of such corporations.

In 1911, the Executive Council increased the aggregate assessment of farm lands all the way from $7\frac{1}{2}$ to $22\frac{1}{2}$ per cent in the various counties of the state. In fact, the assessed value of farm lands was increased on an average of about $12\frac{1}{2}$ per cent. This was done on the theory that farm lands were being assessed relatively lower than other property.

In this connection, the Commission desires to make only one additional suggestion. We refer to the broad assumption in many quarters that farm lands are being assessed relatively lower than some other classes of property. In fact, an effort has been made, largely for political ends, to draw a line of cleavage between the city and the country. Statistics have been collected for the purpose of showing that town lots are being listed higher than rural property. It should be stated that the only trouble with practically every investigation of this kind is the incompleteness of the same. Every one knows that it is possible to go to the court house records of Polk County or any other county of Iowa and prove that property in the city is being listed at 75 per cent or even 100 per cent of its value. It might also be proved that property is being listed at less than 50 per cent of its value. It all depends upon the property that is being compared.

When all the facts are considered, there should be no point of cleavage between the property owners in the country and in the cities. The sooner the people of Iowa get these matters clear in their minds, the more rapid will be the progress in scientific tax reform legislation. The inequalities in the present revenue system are not confined to any community within the state or to any kind or class [fol. 152] of property. The injustice extends to the small holder of property as well as to the large holder and is a matter of such com-

mon knowledge that many taxpayers, who are otherwise honest, perjure themselves annually in the matter of listing their property for the reason that they know full well that many other property owners are doing likewise. In a word, the present law in its operation tends to debase the public conscience.

Present ex Officio Administration

The low valuation on the one hand and inequality of assessment on the other, already outlined, are the logical results of our present machinery of assessment and equalization, which is almost entirely ex officio in its personnel and, therefore, wholly inefficient in its practical workings. Each local taxing district is a law unto itself. The County Board of Review meets only a short time in June, and the State Board of Review only a few days in July. In fact, important duties are performed in a perfunctory manner which ought to require intelligent and conscientious labor throughout the entire year.

Until the office of county assessor is created there will be no one whose business it is to see that assessments are uniform throughout the county as between individuals, on the one hand, and local subdivisions of government on the other. In like manner, until a permanent tax commission is created, there will be no state board giving sufficient time to the important task of equalizing values between counties, and at the same time listing the property of public service corporations. Reduced to its lowest terms, the chief defect of the present system is faulty administration, which in turn is due, as already suggested, to the planless and ex officio character of our present system of assessment and equalization. There should be a central supervising officer in each county and a central state board giving their full time to this absolutely necessary function of government.

Public Service Corporations

As already stated, one of the important duties of a permanent tax commission is to make a thorough and complete valuation of the property of public service corporations. Until this is done, we will have no way of determining whether farm property or, in fact, any [fol. 153-245] other class of property, is bearing more or less than its just share of the public burden. Practically all statements made along this line in the past are not based on any authoritative information. Under existing conditions, the Executive Council simply does not have the necessary time to make a careful and systematic valuation of this class of property, such as would be made by a permanent state tax board giving a very substantial part of its time to this one problem.

The property of railroads, telephone, telegraph and express companies is so vast in extent and so complex in its character that any hasty valuation made by an ex officio board on the basis of reports submitted by the companies must necessarily be very imperfect and

unsatisfactory. Property which amounts to hundreds of millions of dollars should not be listed for taxation in a mere perfunctory manner, such as must be the case in any state where *ex officio* boards are required by law to do this work. This Commission believes that the magnitude of this task alone is sufficient to warrant the employment of a permanent state tax board. Until this is done any comparison of the relative burden of taxation as between farm lands and railroad property will be largely guess work. Under such a system, public service corporations may be required to pay more or less than their just share of taxation, depending often times upon political influences. The problem, however, of uniform and equitable taxation should never depend upon politics, but upon the honest and efficient administration of law.

* * * * *

[fols. 246 & 247] EVIDENCE: EXHIBIT No. 2

Fourteenth Census of the United States| 1920

Department of Commerce, Bureau of the Census

Bulletin

Agriculture: Iowa

Statistics for the State and Its Counties

Prepared under the Supervision of William Lane Austin, Chief
Statistician for Agriculture

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Introduction

This bulletin presents a statement of the statistics of agriculture for Iowa collected at the census of 1920. The statistics of farms and farm property, including live stock, relate to January 1, 1920; those of live-stock products, crops, and farm expenditures are for the calendar year 1919. In order to show the present tendency in agriculture, comparative figures for the census of 1910 are given throughout the bulletin; and to show the general trend of the agricultural industry over a considerable period of time, all general farm information available is presented for the different censuses since 1850.

Farms and Farm Property

TABLE 1—Summary: 1920 and 1910

Item.	1920 (January 1)	1910 (April 15)	Increase %	
			Amount	Per cent
Number of all farms.....	213,439	217,044	—3,605	—1.7
Approximate land area of the state..... acres.	35,573,040	35,573,040	.....	.....
All land in farms..... acres.	33,474,896	33,930,688	—455,792	—1.3
Improved land in farms..... acres.	28,606,951	29,491,199	—884,248	—3.0
Woodland in farms..... acres.	2,965,274	2,344,115	—621,159	—20.8
Other unimproved land in farms..... acres.	2,572,671	2,125,374	—447,297	—17.0
Per cent of land area in farms.....	91.1	93.4	.....	.....
Per cent of farm land improved.....	85.5	86.9	.....	.....
Average acreage per farm.....	156.8	156.3	0.5	0.3
Average improved acreage per farm.....	134.0	135.9	—1.9	—1.4
Value of all farm property.....	\$6,525,570,956	\$6,479,410,412	.....	127.6
Land.....	6,079,020,577	5,877,046,841	.....	135.4
Buildings.....	922,751,713	467,346,042	.....	192.6
Implement and machinery.....	309,172,398	213,694,450	.....	223.8
Live stock.....	61,526,268	221,523,072	.....	361.5
Average value per farm:				
All farm property.....	30,942	29,883	.....	131.4
Land.....	31,292	18,582	.....	142.4
Buildings.....	4,323	2,225	.....	196.1
Implement and machinery.....	1,449	1,009	.....	229.3
Live stock.....	2,872	1,067	.....	58.9

* A minus sign (—) denotes decrease.

Explanation of Terms

To assist in securing comparability for its statistics of agriculture, the Bureau of the Census provided the enumerators with certain definitions and instructions, the more important of which were essentially as given below.

Farm.—A "farm" for census purposes is all the land which is directly farmed by one person managing and conducting agricultural operations, either by his own labor alone or with the assistance of members of his household or hired employees. The term "agricultural operations" is used as a general term, referring to the work of growing crops, producing other agricultural products, and raising domestic animals, poultry, and bees. A "farm" as thus defined may consist of a single tract of land or of a number of separate and distinct tracts, and these several tracts may be held under different tenures, as where one tract is owned by the farmer and another tract is hired by him. When a landowner has one or more tenants, renters, croppers, or managers, the land operated by each is considered a "farm."

In applying the foregoing definition of a "farm" for census purposes, enumerators were instructed to report as a "farm" any tract of 3 or more acres used for agricultural purposes, and also any tract containing less than 3 acres which produced at least \$250 worth of farm products in the year 1919, or required for its agricultural operations the continuous services of at least one person.

Farmer.—A "farmer" or "farm operator," according to the census definition, is a person who directs the operation of a farm. Hence owners of farms who do not themselves direct the farm operations are not reported as "farmers." Farmers are divided by the Bureau of the Census into three general classes according to the character of their tenure, namely, owners, managers, and tenants.

Farm owners include (1) farmers operating their own land only and (2) those operating both their own land and some land hired from others. The latter are sometimes referred to in the census reports as "part owners," the term "full owners" being then used for those owning all their land.

Managers are farmers who are conducting farm operations for the owner for wages or a salary.

Farm tenants are farmers who, as tenants, renters, or croppers, operate hired land only. They were reported in 1920 in five classes: (1) Share tenants—those who pay a certain share of the products, as one-half, one-third, or one-quarter, for the use of the farm but furnish their own farm equipment and animals; (2) croppers—share tenants who do not furnish their work animals; (3) share-cash tenants—those who pay a share of the products for part of the land rented by them and cash for part; (4) cash tenants—those who pay a cash rental, as \$7 per acre of crop land or \$500 for the use of the whole farm; (5) standing renters—those who pay a stated amount of farm products for the use of the farm, as 3 bales of

cotton or 500 bushels of corn. In some cases the character of the tenancy was not ascertained by the enumerator; such tenants are designated "unspecified."

Farm Land.—Farm land is divided into (1) improved land, (2) woodland, and (3) other unimproved land.

Improved land includes all land regularly tilled or mowed, land in pasture which has been cleared or tilled, land lying fallow, land in gardens, orchards, vineyards, and nurseries, and land occupied by farm buildings.

Woodland includes all land covered with natural or planted forest trees which produce, or later may produce, firewood or other forest products.

All other unimproved land includes brush land, rough or stony land, swamp land, and any other land which is not improved or in forest.

The census classification of farm land as "improved land" "woodland," and "other unimproved land" is one not always easy for the farmers or enumerators to make, and the statistics, therefore, must be considered at best only a close approximation.

Number of Farms, Average, and Value

TABLE 2.—*Number of Farms and Farm Averages, 1850 to 1920*

Census year	Farms				Land in farms				Percent of land area in farms	Percent of farm land improved
	Number	Percent of increase ¹	All land		Improved land					
			Acres	Percent of increase ¹	Acres	Percent of increase ¹				
1920	213,439	-1.7	33,374,896	-1.3	28,606,951	-3.0	94.1	85.5		
1910	217,011	-5.1	33,530,688	-1.9	29,491,199	-1.4	95.4	86.9		
1900	228,622	13.2	34,574,337	13.4	29,897,552	17.6	97.2	86.5		
1890	201,303	8.9	30,491,541	23.2	25,428,899	28.0	85.7	83.4		
1880	183,251	59.4	24,552,700	59.3	19,866,541	111.4	69.6	80.3		
1870	146,222	90.1	15,541,793	54.3	9,396,467	147.7	43.7	60.5		
1850	61,163	313.1	10,069,907	268.0	3,792,792	339.9	28.3	37.7		
1850	14,895	.....	2,756,064	.....	824,682	.....	7.7	30.1

¹ A minus sign (—) denotes decrease.

TABLE 3.—*Value of Farm Property: 1850 to 1920*

Census year	All farm property		Land and buildings		Implements and machinery		Live stock	
	Value	Per cent of increase	Value	Per cent of increase	Value	Per cent of increase	Value	Per cent of increase
1920.....	\$8,525,270.95	127.6	\$7,601,772.20	133.4	\$309,172.398	223.8	\$614,326.268	56.3
1910.....	3,745,860.54	104.2	3,257,379.40	117.5	95,477,948	64.7	393,003,196	40.9
1900.....	1,834,345.546	66.7	1,497,554.790	74.6	57,900,640	58.1	278,830,096	35.1
1890.....	1,100,682.579	52.6	857,581,022	51.1	36,665,315	24.8	206,436,242	65.5
1880.....	721,517.214	81.8	567,430,227	80.6	29,371,884	79.0	124,715,103	87.9
1870 ¹	396,927,325	168.7	314,429,953	162.0	16,407,666	208.0	66,389,706	195.4
1860.....	147,702,873	586.4	119,809,517	619.8	5,327,033	354.2	22,476,293	509.2
1850.....	21,519,711	.....	16,657,667	.....	1,172,869	.....	3,689,275	.....

¹ Compared gold values, being 80 per cent of the currency values reported.

TABLE 4—Average, Average, and Average Value per Farm, 1830 to 1929

[Averages Are Based on "All Farms" in the State]

Census year	Average acreage per farm		Average value per farm			
	All land	Improved land	All farm property	Land and buildings	Implement and machinery	Live stock
1929	156.8	131.0	839,912	635,916	91,449	92,878
1910	156.3	135.9	17,259	15,008	440	1,811
1900	151.2	130.8	8,023	6,369	253	1,229
1890	151.0	125.9	5,452	4,247	182	1,022
1880	133.5	107.2	3,863	3,061	158	673
1870	133.6	80.8	3,413	2,701	141	571
1860	161.6	62.0	2,415	1,969	87	367
1850	184.8	55.7	1,454	1,125	79	249

* Computed grid values, being 80 per cent of the currency values reported.

TABLE 5.—*Average Value per Acre, 1850 to 1920*

[Averages Are Based on "All Land in Farms" in the State.]

Census year	All farm property	Land and buildings	Land alone	Buildings alone	Improvements and machinery	Live stock
1920,	\$254.68	\$227.09	\$199.52	\$27.57	\$9.24	\$18.35
1910,	110.49	96.00	82.55	13.42	2.51	11.58
1900,	53.06	43.31	36.35	6.96	1.65	8.06
1890,	36.10	28.13	.....	.....	1.20	6.77
1880,	29.15	22.92	.....	.....	1.19	5.04
1870 ¹ ,	25.54	20.21	.....	.....	1.06	4.27
1860,	14.67	11.91	.....	.....	0.53	2.25
1850,	7.87	6.09	.....	.....	0.43	1.35

¹ Computed gold values, being 80 per cent of the currency values reported.

[fols. 257-289]

All Farms

1.	Number of farms, 1920.....	213,439
2.	1910.....	217,044
3.	1900.....	228,622
All farmers classified by sex, 1920:		
4.	Male.....number..	209,232
5.	Female.....number..	4,207
Color and nativity of all farmers, 1920:		
6.	Native white.....number..	181,109
7.	Foreign-born white.....number..	32,221
8.	Negro and other nonwhite.....number..	109
All farms classified by size, 1920:		
9.	Under 3 acres.....number..	477
10.	3 to 9 acres.....number..	5,745
11.	10 to 19 acres.....number..	5,299
12.	20 to 49 acres.....number..	13,117
13.	50 to 99 acres.....number..	35,959
14.	100 to 174 acres.....number..	85,549
15.	175 to 259 acres.....number..	41,414
16.	260 to 499 acres.....number..	23,865
17.	500 to 999 acres.....number..	1,877
18.	1,000 acres and over.....number..	137

Land and Farm Area

19.	Approximate land area, 1920.....acres..	35,575,040
20.	Land in farms, 1920.....acres..	33,474,896
21.	1910.....acres..	33,930,688
22.	1900.....acres..	31,574,337
23.	Improved land in farms, 1920.....acres..	28,606,954
24.	1910.....acres..	29,491,199
25.	1900.....acres..	29,897,552
26.	Woodland in farms, 1920.....acres..	2,295,274
27.	Other unimproved land in farms, 1920.....acres..	2,572,671
28.	Per cent of land area in farms, 1920.....	94.1
29.	Per cent of farm land improved, 1920.....	85.5
30.	Average acreage per farm, 1920.....	156.8
31.	Average improved acreage per farm, 1920.....	134.0

Value of Farm Property

32.	All farm property, 1920.....	dollars..	8,525,270.95
33.	1910.....	dollars..	3,745,860.54
34.	1900.....	dollars..	1,834,345.54
35.	Land in farms, 1920.....	dollars..	6,679,020.57
36.	1910.....	dollars..	2,801,973.72
37.	1900.....	dollars..	1,256,751.98
38.	Farm buildings, 1920.....	dollars..	922,751.74
39.	1910.....	dollars..	455,405.67
40.	1900.....	dollars..	240,802.81
41.	Implements and machinery, 1920.....	dollars..	309,172.39
42.	1910.....	dollars..	95,477.94
43.	1900.....	dollars..	57,960.66
44.	Live stock on farms, 1920.....	dollars..	614,326.26
45.	1910.....	dollars..	393,003.19
46.	1900.....	dollars..	278,830.99
Average values, 1920:			
47.	All property per farm.....	dollars..	39.942
48.	Land and buildings per farm.....	dollars..	35.616
49.	Land alone per acre.....	dollars..	199.52

Farms Operated by Owners

50.	Number of farms, 1920.....		121,888
51.	1910.....		133,063
52.	1900.....		147,305
53.	Per cent of all farms, 1920.....		57.4
54.	Land in farms, 1920.....	acres..	18,051,121
55.	Improved land in farms, 1920.....	acres..	15,349,621
56.	Value of land and buildings, 1920.....	dollars..	4,011,441,160
Degree of ownership, 1920:			
57.	Farmers owning entire farm.....	number..	99,008
58.	Farmers hiring additional land.....	number..	22,880
Color and nativity of owners, 1920:			
59.	Native white owners.....	number..	100,741
60.	Foreign-born white owners.....	number..	21,073
61.	Negro and other nonwhite owners.....	number..	74

Farms Operated by Managers

62.	Number of farms, 1920.....	2,187
63.	1910.....	1,926
64.	1900.....	1,581
65.	Land in farms, 1920.....acres..	569,986
66.	Improved land in farms, 1920.....acres..	445,897
67.	Value of land and buildings, 1920...dollars..	125,900,751

Farms Operated by Tenants

68.	Number of farms, 1920.....	89,064
69.	1910.....	82,115
70.	1900.....	79,736
71.	Per cent of all farms, 1920.....	41.7
72.	Land in farms, 1920.....acres..	14,854,689
73.	Improved land in farms, 1920.....acres..	12,841,430
74.	Value of land and buildings, 1920...dollars..	3,461,430,379
Form of tenancy, 1920:		
75.	Share tenants .....number..	25,606
76.	Share-cash tenants .....number..	16,401
77.	Cash tenants .....number..	44,586
78.	Unspecified .....number..	2,471
Color and nativity of tenants, 1920:		
79.	Native white tenants.....number..	78,090
80.	Foreign-born white tenants.....number..	10,940
81.	Negro and other nonwhite tenants, number..	34

{fol. 290}

EVIDENCE: EXHIBIT No. 3

United States Department of Agriculture

*Bulletin No. 874*Contribution from the Office of Farm Management and Farm
Economics

H. C. Taylor, Chief

In Cooperation with the Iowa Agricultural Experiment Station

C. F. Curtiss, Director

Washington, D. C. Professional Paper August 23, 1920.

Farm Land Values in Iowa

By

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Farm Management and Farm Economics,

and

O. G. Lloyd,

Assistant Chief in Farm Management Iowa Agricultural Experiment
Station

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Washington
Government Printing Office
1920

(Here follows reproduction of side folio page 291.)

UNITED STATES DEPARTMENT OF AGRICULTURE

BULLETIN No. 874Contribution from the Office of Farm Management and
Farm Economics

H. C. TAYLOR, Chief

In Cooperation with the Iowa Agricultural Experiment Station

C. F. CURTISS, Director



Washington, D. C.

PROFESSIONAL PAPER

August 23, 1920

FARM LAND VALUES IN IOWA.

By J. C. GRAY, *Agricultural Economist in Charge of Land Economics, Office of Farm Management, and Farm Economics*, and O. G. LLOYD, *Assistant Chief in Farm Management, Iowa Agricultural Experiment Station*

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PURPOSE, SCOPE, AND METHOD OF INVESTIGATION.

The investigation upon which this bulletin is based was undertaken to determine the extent of increase in prices of Iowa farm lands, with special reference to the year 1919, the causes of the unusual activity in the buying and selling of lands in that year, and the probable effects of this activity upon the farming industry in the State of Iowa.

It was considered of special importance to ascertain what changes have occurred in the relationship between farm land values, farm earnings, and the shares received by landlords and by tenants, and to determine the probable effect of these changes on the opportunity of farmers to acquire the land they cultivate. It was also believed that the investigation would be of some value as a study of the phenomena of land speculation, an important topic in the general subject of land economics.

Unusual activity in land transfers and rapid increases in the prices of farm land have occurred over wide areas throughout the United States during the past year. If the resources for investigation had

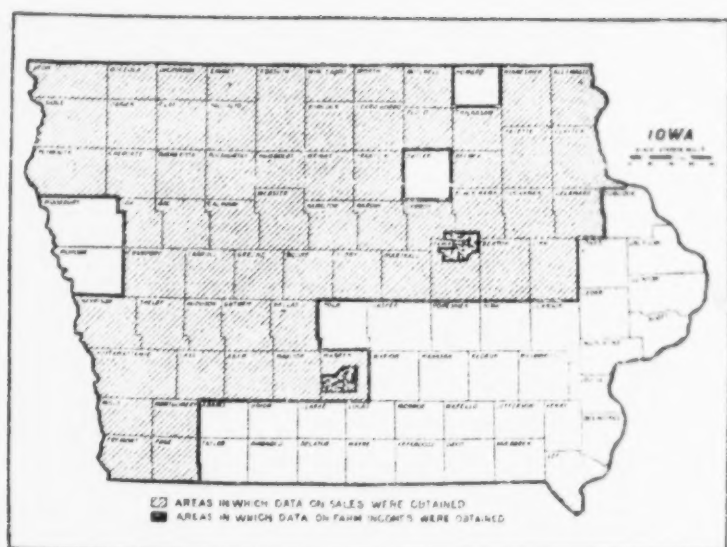


FIG. 1.—Map of Iowa showing region in which this investigation was conducted.

[fol. 292] been ampler it would have been desirable to extend this study in other parts of the country. However, it seemed necessary to limit the area of investigation to a region sufficiently small to permit a reasonably intensive study. Since the activity in land transfers seemed to be central in the State of Iowa, the investigation was confined to a territory comprising about 60 counties in that State. (See fig. 1.)

Details concerning actual sales were obtained in 60 counties. It was at first planned to obtain initial data from the county records, but it was necessary to revise this plan because it was found that a large number of the sales made during the recent period of activity were not recorded. Consequently it was necessary to obtain data from real estate men, bankers, lawyers, and retired farmers who had participated in the drawing up of sales contracts.

(Here follows map marked side folio page 292.)

The investigators obtained certain general information concerning the subjects of investigation by inquiry from well-informed persons in each county visited. Data on net rents paid for farms for the year 1918 were obtained in 49 of the counties visited.

The Iowa Experiment Station contributed to the investigation data on farm earnings and the distribution of farm earnings, obtained from regular farm management surveys of 965 farms in adjacent townships of Blackhawk, Tama, and Grundy Counties for the year 1913, and of 832 farms, located in Warren County, for the year 1915. [fol. 293] To obtain comparative data concerning farm earnings for the year 1918 a farm management survey was made covering about 400 farms in the same areas. A large number of these farms were the same for which data had been obtained in previous surveys.¹

Trend of Land Values in the Country as a Whole

Before beginning the study of farm land values in Iowa it is desirable to determine the extent of the area in the United States characterized by a marked advance in farm land values such as has occurred in that State.

¹ Acknowledgment is due the farmers and other business men who made this study possible and to the members of the staff of Iowa State College and of the Office of Farm Management, U. S. Department of Agriculture, who aided in the gathering and tabulation of the data used.

Survey data for 1913 and 1915 were collected by H. B. Munger, J. Whitson, Wm. Brand, Russell Engberg, Fred C. Fenton, R. J. Leth, E. H. Lott, W. T. Maaksted, M. B. Posten, Geo. N. Reed, Harold W. Reid, Louis Sawyer, Allan M. Smith, and L. B. Snyder, of the Farm Management Department, Ames, Iowa. Prof. H. B. Munger supervised the collection and tabulation of the results.

The data for 1918 and 1919 were collected by Earl D. Strait, C. O. Brannen, H. H. Clark, J. S. Donald, R. D. Jennings, Bruce McKinley, J. C. Rundles, C. F. Sarle, F. H. Shelledy, and C. C. Taylor, of the Office of Farm Management, United States Department of Agriculture. Messrs. Howard A. Turner and J. C. Rundles supervised the tabulation of the results.

In Table I, which comprises unpublished data supplied by the Bureau of Crop Estimates, are shown the estimated average values per acre of farm land and improvements for all the States, together with the estimated increase per acre and per cent of increase from March 1, 1919, to March 1, 1920.

TABLE I.—*Average value of farm land and improvements, by States, 1915, 1919, 1920, and increase per acre and per cent of increase, 1919 to 1920. (Estimates obtained by the Bureau of Crop Estimates.)*

State	Average value per acre			Increase 1919 to 1920	
	1915	1919	1920	Per acre	Per cent
Maine	836.00	847.00	852.00	85.00	10.6
N. Hampshire	37.00	45.00	52.00	7.00	15.5
Vermont	39.00	47.00	53.00	6.00	12.5
Massachusetts	72.00	80.00	100.00	20.00	25.0
Rhode Island	95.00	90.00	95.00	5.00	5.5
Connecticut	63.00	67.00	85.00	18.00	26.8
New York	65.00	75.00	88.00	13.00	16.3
New Jersey	90.00	113.00	125.00	12.00	10.6
Pennsylvania	64.00	79.00	92.00	13.00	16.4
Delaware	63.00	78.00	94.00	16.00	20.5
Maryland	54.00	69.00	91.00	22.00	31.8
Virginia	34.00	60.00	68.00	8.00	13.3
W. Virginia	34.00	51.00	58.00	7.00	13.7
N. Carolina	33.00	47.00	75.00	28.00	59.5
S. Carolina	30.00	53.00	75.00	22.00	41.5
Georgia	24.00	45.20	57.00	11.80	26.1
Florida	40.00	60.00	72.00	12.00	20.0
Ohio	86.00	109.00	130.00	21.00	19.2
Indiana	90.00	120.00	145.00	25.00	20.8
Illinois	125.00	164.00	204.00	40.00	24.3
Michigan	61.00	80.00	87.00	7.00	8.7
Wisconsin	80.00	109.00	130.00	21.00	19.2
Minnesota	65.00	94.00	124.00	30.00	31.9
Iowa	134.00	192.00	255.00	63.00	32.8
Missouri	58.00	82.00	104.00	22.00	26.8
N. Dakota	34.00	43.00	50.00	7.00	16.2
S. Dakota	58.00	80.00	110.00	30.00	37.5
Nebraska	71.00	105.00	135.00	30.00	28.5
Kansas	53.00	69.00	80.00	11.00	15.9
Kentucky	38.00	81.00	85.00	4.00	4.9
Tennessee	38.00	65.00	77.00	12.00	18.4
Alabama	20.00	29.00	38.00	9.00	31.0
Mississippi	20.00	32.00	45.00	13.00	40.6
Louisiana	30.00	43.00	65.00	22.00	51.1
Texas	40.00	55.00	69.00	14.00	25.4
Oklahoma	29.00	43.50	55.00	11.50	26.4
Arkansas	23.00	42.00	55.00	13.00	30.9

State	Average value per acre			Increase 1919 to 1920	
	1915	1919	1920	Per acre	Per cent
Montana	35.00	39.00	42.00	3.00	7.6
Wyoming	35.00	50.00	60.00	10.00	20.0
Colorado	55.00	66.00	75.00	9.00	13.6
New Mexico	52.00	62.00	62.00	0.00	0
Arizona	107.00	130.00	185.00	55.00	42.3
Utah	85.00	130.00	150.00	20.00	15.3
Nevada	85.00	90.00	90.00	0.00	0
Idaho	66.00	97.00	125.00	28.00	28.8
Washington	99.00	115.00	150.00	35.00	30.4
Oregon	75.00	95.00	120.00	25.00	26.3
California	175.00	218.00	190.00	28.00	....
United States	59.91	81.89	99.24	17.35	21.1

[fol. 294] It is clear that the advance of land values in Iowa is only part of a general rapid upward trend of land values, the average increase for all the States amounting to \$17.35 per acre, or 21.1 per cent. In only one State, California, have land values declined during the year. Even in New England the value of farm lands increased over \$10 an acre, or 16.2 per cent, the increase being most marked in Massachusetts and Connecticut. In the other Atlantic States the increase in value per acre was most notable in the Carolinas, reflecting the influence of high prices for cotton, "bright" tobacco, and peanuts. The increases for Virginia and West Virginia were comparatively small. The increases in values in the other Atlantic States are between the two extremes. The largest average increase per acre in the United States, but not the largest percentage of increase, occurred in Iowa, followed by Arizona and Illinois. Throughout the States lying largely in the Corn Belt there were increases per acre ranging from \$21 in Ohio to \$63 in Iowa, with the exception of Kansas, where the increase was only \$11.

In States characterized by a fair degree of uniformity in agricultural resources, as in many of the States in the Corn Belt, averages for the State as a whole are frequently not indicative of the movement of values in certain sections. Thus, the increase for Kentucky averages only \$4 an acre, yet in the Blue Grass Region there has been a very marked increase in farm land values and extraordinary activity in the buying and selling of land. There has been a considerable increase in the value of farm lands in Michigan, but the average for the State is low because of the influence of the large areas of cut-over lands in parts of the State. In the South the percentages of increase are large, although they do not represent large increases per acre.

Increase in the Average Value Per Acre of Iowa Farm Land Since 1850

TABLE II—*Increase in the Average Value of Improved Farm Land
in Iowa from 1850 to March 1, 1920*

Year,	Value per acre	Increase per acre
1850	86.00	.....
1860	11.91	85.82
1870	20.21	8.30
1880	22.92	2.71
1890	28.13	5.21
1900	43.31	15.18
1910	96.00	52.69
1915	134.00	38.00
1916	153.00	19.00
1917	156.00	3.00
1918	174.00	18.00
1919	192.00	18.00
1920	255.00	63.00

The statistics for the years 1850 to 1910, inclusive, are from the Federal census. The statistics for 1915 to 1920, inclusive, are from unpublished data furnished by the Bureau of Crop Estimates, United States Department of Agriculture, [fol. 295-335]. During the last decade the percentage increase, as well as the dollars per acre increase, was larger than that for any other decade in the history of the State. During the past year the increase in dollars per acre was greater than during the 50-year period from 1850 to 1900. From 1915 to 1920, the smallest increase in the price of land was in the year before the United States entered the World War, and the largest increase was the year following the signing of the armistice.

* * * * *

[fol. 336] (Copy)

EVIDENCE: EXHIBIT 4

STATE OF IOWA,
Polk County, ss:

I, A. H. Davison, depose and say that from 1899 to 1917 I was secretary of the Executive Council of the State of Iowa, and as such secretary am familiar with the proceedings of the Executive Council during that period. That, for sometime prior to 1913, the Council desired to secure information as to the actual value of the property of the state as compared to the assessed value for taxation; that pursuant to such desire on the part of the Executive Council the 35th General Assembly passed an Act, known as Chapter 13, making an appropriation to cover the expense of gathering, copying and tabu-

lating sales and assessments of value of real estate to be used in assessment and adjustment proceedings; that pursuant to this authority the Executive Council directed that the Secretary of the Council procure through the recorders of the several counties of the state lists of all the lands transferred in said counties during the calendar year of 1912, with sale values and that the same be referred to the County Auditors of the several counties with direction to enter opposite each transfer the assessment value placed upon the same tracts in the spring of 1913.

That, in pursuance of this order I, as secretary of the Executive Council, did call upon the several Recorders of the state for lists of all the bona fide transfers, with instructions to omit such as appeared from any reason to be other than bona fide transfers or sales in the ordinary course of business, and those lists we first check up, satisfying ourselves that none but bona fide transfers were in the lists forwarded, sending the list to the several county Auditors with instructions [fol. 337] to enter opposite each item the assessment placed by the assessors of all the townships of the counties, and also to show upon said list any charges made by the local Boards of Review. Those sale values and assessment values as corrected are represented as shown in Exhibit "A" in the columns marked "Actual value of lands reported transferred 1912", and "actual value placed on same tracts by assessors 1913." This Exhibit "A" also contains data obtained from the official records of the state as recorded in the office of the Auditor of State for the years 1902, 1903, 1908, 1909, said compilation being made for the purpose of exhibiting to the Executive Council that the ratio of assessments to actual value was continually diminishing from year to year, the same having been in 1903—80%, in 1909—55%, and for the year 1913—46% minus. That said Exhibit "A" was and is a part of the records of the Executive Council.

That under date of March 10, 1919, as shown by the records of the Executive Council, Book No. 12, Page 141, the following resolution was adopted:

"In view of the approaching session of the Executive Council of the State Board of Review, Assessment and Equalization and the duties imposed upon such Board by law with reference to the equalization of taxes on real and personal property and the fixing of assessment upon railroads and other public utilities, it was found desirable upon consideration that all of the information with reference to valuation of property possible to obtain for the use of the Executive Council be made available at the date set for such Board of Review meeting and the Council accordingly entered an order that an appropriation be made in the amount of \$500.00 under the provisions of 170-L of the Code for the employment of extra help in [fol. 338] the office of the Secretary of the Council for obtaining such information and directed that the Secretary of the Council prepare forms to send out to the county recorders for obtaining information as to the transfer of land and other property in the respective counties and the price involved in such transactions and for obtaining from

bankers, legislators real estate men and other persons resident in such counties who have reason to know of valuations of property the information which the Council desired. The secretary was also authorized to take the proper steps for the compilation of such information and its classification in the proper form for the use of the Council as a Board of Review and Equalization and also to employ such help as is necessary under the appropriation made for carrying out the direction of the Executive Council".

That I have examined the files of the Executive Council in the office of the Secretary of said Council, showing the result of the investigation made pursuant to said resolution, and attach hereto, marked Exhibit "B," the compilation of the volume of the acreage price at which such acreage was sold or transferred, and the average price of such sales in each county for which the figures appear to have been secured. That said compilation, of which Exhibit "B" is a copy, is taken from the papers and records on file in the office of the secretary of the Executive Council. That it appears from such compilation that the total of the transfers by acreage were 1,092,834.48 acres; that the value of the acreage as transferred is shown to be \$179,322,740.77, being an average sale price as shown by said Exhibit of \$164.09. That the average values for assessment purposes throughout the state were, during the corresponding year, \$75.64, as shown by the compilation and records in the office of the Auditor of State. The records in the office of the Auditor of State also show that the assessed value of lands throughout the state for the year 1920 as adjusted average \$76.84. That attached to this affidavit, marked Exhibit "C" are the adjusted values of land for the year 1919, being the year to which [fol. 339] the valuations shown on Exhibit "B" apply.

A. H. Davison.

Subscribed and sworn to by A. H. Davison this 10th day of September, 1921. J. R. Patterson, Notary Public in and for Polk County.

(Here follows Exhibit A to Davison's Affidavit, marked side folio page 340.)

[fol. 341] EXHIBIT "B" TO DAVISON'S AFFIDAVIT

County	Acreage	Price	Average per acre
Adair	14,244.22	\$1,977,003.07	\$138.80
Adams	21,573.53	2,972,086.96	120.95
Allamakee	3,818.11	300,855.60	78.78
Appanoose	5,337.00	468,579.00	87.80
Audubon	37,540.41	7,114,918.34	189.53
Benton .....	.....	.....	.....
Black Hawk .....	.....	.....	.....

County	Acreage	Price	Average per acre
Boone			
Bremer			
Buchanan			
Buena Vista	17,685.33	3,167,064.38	179.08
Butler	20,478.49	3,105,088.34	151.63
Calhoun			
Carroll	15,001.15	3,414,292.27	227.60
Cass	8,094.59	1,396,693.50	172.55
Cedar	28,010.92	4,878,462.99	174.16
Cerro Gordo	22,031.00	3,442,523.00	155.75
Cherokee			
Chickasaw			
Clarke	36,492.25	4,286,239.25	117.45
Clay	13,386.49	2,371,304.90	177.15
Clayton			
Clinton	16,865.00	2,999,303.00	177.84
Crawford	3,789.69	709,684.00	187.27
Dallas			
Davis			
Decatur			
Delaware	13,743.00	1,901,407.83	138.35
Des Moines	7,879.94	1,283,705.70	162.90
[fol. 342]			
Dickinson			
Dubuque	12,354.27	1,400,312.00	113.35
Emmet			
Fayette			
Floyd			
Franklin	2,136.00	305,440.00	143.00
Fremont			
Greene			
Grundy	16,602.21	3,540,562.72	213.25
Guthrie	51,885.85	8,299,079.10	159.91
Hamilton			
Hancock			
Hardin	18,235.00	3,531,894.00	193.68
Harrison	19,137.48	3,000,091.00	156.76
Henry	31,466.45	5,059,464.22	160.75
Howard	3,597	473,067.50	134.32
Humboldt	27,983.55	2,827,904.63	101.05
Ia			
Iowa			
Jackson	20,911.25	2,204,877.40	105.41
Jasper	13,788.03	2,797,729.50	202.91
Jefferson	17,966.00	1,951,871.49	108.65
Johnson	7,977.11	1,452,435.97	182.07
Jones			
Kookuk	39,313.42	6,040,143.80	153.65
Kossuth			

County	Acreage	Price	Average per acre
Lee .....	.....	.....	.....
[fol. 343]			
Linn	7,040.00	1,272,888.00	180.81
Louisa .....	.....	.....	.....
Lucas .....	.....	.....	.....
Lyon	42,101.20	8,006,393.31	190.17
Madison	4,283.99	544,430.00	103.75
Mahaska	3,661.50	680,625.00	185.89
Marion .....	.....	.....	.....
Marshall	16,826.68	3,287,424.46	195.37
Mills .....	.....	.....	.....
Mitchell .....	.....	.....	.....
Monona .....	.....	.....	.....
Monroe	5,352.50	499,252.00	93.25
Montgomery	30,665.25	6,041,449.23	197.02
Muscatine	5,663.50	1,177,772.00	207.95
O'Brien	41,450.61	8,638,487.61	208.40
Osceola	44,642.40	7,472,148.78	167.60
Page	30,990.00	4,355,557.00	140.00
Palo Alto .....	.....	.....	.....
Plymouth	17,911.35	3,009,430.48	168.02
Pocahontas	30,699.77	5,776,386.81	188.15
Polk .....	.....	.....	.....
Pottawattamie .....	.....	.....	.....
Poweshiek .....	.....	.....	.....
Ringgold	16,398.43	1,507,257.50	98.01
Sac	19,819.88	4,385,650.32	221.83
Scott .....	.....	.....	.....
Shelby	35,768.23	7,127,871.21	199.28
Sioux	20,359.15	3,853,117.50	144.98
Story .....	.....	.....	.....
[fol. 344]			
Tama .....	.....	.....	.....
Taylor	61,813.08	8,723,067.83	141.12
Union .....	.....	.....	.....
Van Buren	44,805.92	4,526,263.62	101.02
Wapello	14,896.87	2,420,449.05	162.48
Warren	10,875.91	1,549,257.99	142.35
Washington .....	.....	.....	.....
Wayne .....	.....	.....	.....
Webster	31,368.81	6,127,948.28	195.35
Winnebago .....	.....	.....	.....
Winneshiek .....	.....	.....	.....
Woodbury	29,812.28	4,082,524.00	136.95
Worth .....	.....	.....	.....
Wright	20,129.29	3,332,789.95	165.57
	1,092,834.48	179,322,740.77	164.09

75.64 Averaged assessed value per acre for entire State.

[fol. 345] EXHIBIT "C" TO DAVISON'S AFFIDAVIT

Adjusted Valuation of Land

Adair	75.32	Jefferson	75.00
Adams	73.06	Johnson	79.72
Allamakee	54.80	Jones	68.16
Appanoose	55.14	Keokuk	75.15
Audubon	89.96	Kossuth	65.20
Benton	84.19	Lee	72.81
Black Hawk	85.37	Linn	85.29
Boone	86.00	Louisa	74.24
Bremer	78.34	Lucas	54.84
Buchanan	70.28	Lyon	90.35
Buena Vista	84.90	Madison	72.66
Butler	83.58	Mahaska	75.67
Calhoun	84.73	Marion	68.06
Carroll	90.16	Marshall	89.83
Cass	81.99	Mills	72.88
Cedar	84.04	Mitchell	72.52
Cerro Gordo	79.05	Monona	68.27
Cherokee	85.10	Monroe	54.92
Chickasaw	68.28	Montgomery	82.17
Clarke	59.73	Muscatine	80.31
Clay	76.84	O'Brien	94.81
Clayton	65.16	Oscola	77.25
Clinton	84.18	Page	78.30
Crawford	95.49	Palo Alto	73.17
Dallas	84.26	Plymouth	85.17
Davis	55.15	Pocahontas	80.54
Decatur	55.24	Polk	89.97
Delaware	69.73	Pottawattamie	77.70
Des Moines	79.19	Poweshiek	83.83
Dickinson	75.06	Ringgold	54.91
Dubuque	73.18	Sac	95.28
Emmet	68.04	Scott	86.74
Fayette	75.04	Shelby	89.85
Floyd	73.27	Sioux	95.05
Franklin	76.58	Story	95.07
Fremont	65.25	Tama	83.87
Greene	90.21	Taylor	67.83
Grundy	95.14	Union	65.22
Guthrie	72.76	Van Buren	55.07
Hamilton	80.29	Wapello	67.76
Hancock	65.15	Warren	73.04
Hardin	83.79	Washington	85.45
Harrison	65.52	Wayne	62.95
Henry	74.06	Webster	80.87
Howard	68.21	Winnebago	65.30
Humboldt	77.56	Winneshiek	65.16
Ida	94.88	Woodbury	77.98
Iowa	84.19	Worth	64.82
Jackson	64.94	Wright	77.25
Jasper	83.93		

[fol. 346]

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant,

vs.

NATHAN E. KENDALL et al., Defendants.

EVIDENCE: EXHIBIT "5"

Affidavit of T. A. Polleys, Tax Commissioner for the Chicago & North Western Railway Company, Setting Forth True Values and Assessed Values of Real Estate in Certain Counties in Iowa for the Years, 1916 to 1921, Inclusive

STATE OF IOWA, County of Polk, ss.:

I, T. A. Polleys, being first duly sworn, on my oath depose and state:

1. That I am now and for more than five years past have been Tax Commissioner of the Chicago & North Western Railway Company; that as such Tax Commissioner I have given special attention to the subject of taxation of the property of this complainant throughout the various States through which its line runs and especially in the State of Iowa; that as Tax Commissioner I have made a special study of the relative valuation of railway property as compared with the valuations of other property in the State of Iowa, and for a period of more than five years I have actually gone into various counties in the State of Iowa and made copies of transfers and tabulated figures showing the actual value of farm lands in said counties as shown by the transfers and also figures showing the last preceding full value assessment of the lands thus sold.

2. That this work has been done by me under the authority of the Chicago & North Western Railway Company and I am empowered [fol. 347] by said Railway Company to make these representations and execute this affidavit.

3. That attached to this affidavit are Exhibits "1," "2," "3," "4," "5," and "6," which set forth the facts and figures hereinafter enumerated:

(a) Exhibit "1" sets forth, as of January 1, 1916, the estimated true value of Iowa lands in thirteen counties as determined by me from the study of numerous transfers and comparisons of such value with the average full assessed value per acre of the respective counties for the year 1915. Column One shows the counties in which the transfers were tabulated. Column Two shows the period covered by transfers. Column Three shows the number of transfers actually examined during said period. Column Four shows the actual number of acres covered by said transfers. Column Five shows the estimated true value of land per acre as of January 1, 1916, as determined from the transfers referred to in Column Three. Column Six shows the average actual assessed value of land in said counties as of January 1, 1916, being the assessment for 1915. Column Seven shows the ratio of actual assessed value to the estimated true value as of Janu-

ary 1, 1916. To illustrate, Exhibit "1" shows that in Carroll County between the period, 1910 and 1916, there were 569 transfers covering 68,634 acres of land. That the estimated true value of land in Carroll County as determined from the transfers aforesaid was on January 1, 1916, \$168.00 per acre and that the average assessed value of land in Carroll County for the year 1915 was \$75.40, or 44.88% of the estimated true value; and by the same process, the same showings are set forth for Cerro Gordo, Clinton, Harrison, Linn, Lyon, O'Brien, Osceola, Plymouth, Polk, Pottawattamie, Sioux and Woodbury Counties.

(b) Exhibit "2" shows the same data for nineteen counties as indicated in Column One for the year 1917.

(c) Exhibit "3" shows the same data for nineteen counties as indicated in Column One for the year 1918.

(d) Exhibit "4" shows the same data for twenty-eight counties as indicated in Column One for the year 1919.

[fol. 348] (e) Exhibit "5" shows the same data for thirty counties as indicated in Column One for the year 1920.

(f) Exhibit "6" shows the same data for thirty counties as indicated in Column One for the year 1921.

4. That as Tax Commissioner for the Chicago & North Western Railway Company, I have for more than five years last past appeared before the Executive Council of the State of Iowa at its annual meeting held for the purpose of valuing railroads and filed tables such as are set forth in Exhibits "1," "2," "3," "4," "5," and "6," and also filed written argument calling the attention of the Executive Council to the discrepancy appearing between the actual value of land in the State of Iowa and the assessed value of said land, and have presented said arguments orally and filed said exhibits regularly in each of the years aforesaid for the purpose of impressing upon the minds of the members of the Executive Council the wide discrepancy between the assessed value of farm land as compared with the actual value thereof and the much narrower margin of discrepancy between the assessed value and the actual value of the Chicago & North Western Railway Company.

Wherefore, your affiant, on the basis of the exhibits aforesaid, avers and states the fact to be that between the period, January 1, 1916 and January 1, 1921, inclusive, the ratio of assessed full value of real estate in the counties set forth in said exhibits has, in no year, exceeded 47.18% of the estimated true value of land in the counties aforesaid and has been as low as 32.16% as shown in Exhibit "6," which indicates that while the value of land has rapidly increased during the period aforesaid, the exhibits show that the ratio of assessed value to true value has gradually diminished and that the ratio of the 1921 full assessed value to true value of land in Iowa is somewhat less than 35%.

T. A. Polleys.

Subscribed and sworn to before me and in my presence by the said T. A. Polleys this 8th day of September, A. D. 1921. Della Brody, Notary Public in and for Polk County, Iowa.

[Vol. 349]

EXHIBIT 1 TO POLLEYS' AFFIDAVIT

(Copy)

1916 *Estimated Land Values in 13 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	No. of transfers	No. of acres sold	Estimated average true val. of land per acre	Average actual val. of land Jan. 1, '16	Ratio of actual ass'd val. to est'd true value Jan. 1, '16
Carroll	1910-16	569	68,634	\$168.00	\$75.40	44.88%
Cerro Gordo	1910-16	650	91,570	140.75	61.76	44.67%
Clinton	1915-16	130	11,988	156.50	72.72	46.46%
Harrison	1915-16	264	22,632	130.75	61.32	46.89%
Linn	1910-16	542	51,649	158.50	67.80	42.77%
Lyon	1907-16	1,100	184,332	154.75	77.04	49.78%
O'Brien	1907-16	1,334	200,901	163.75	82.12	50.14%
Osceola	1907-16	1,100	183,553	139.75	66.92	47.83%
Plymouth	1907-16	1,450	205,972	152.50	78.80	49.71%
Polk	1910-16	465	37,425	164.00	83.29	50.78%
Pottawattamie	1910-16	465	21,538	137.25	68.55	49.94%
Sioux	1907-16	1,596	196,486	176.00	82.48	46.85%
Woodbury	1907-16	2,065	293,618	144.50	59.92	41.46%
13 Counties		12,059	1,630,454	\$152.18	\$71.78	47.18%

Compliments of T. A. Polleys, Tax Comm'r. C. & N. W. Ry. Co., Chicago, Ill., October 17, 1916. #265.

1917 *Estimated True Value of Land and 1916 Assessed Full Value of Rural Personal Property in 19 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by IRS	Number of IRS	Number of acres sold	Estimated true value of land per acre (average)		Average assessed full val of land per acre Jan. 1, 1917	Ratio of assessed full val to estd true val Jan. 1, 1917	Ass'd full val of general personal property per acre	
				Jan. 1, 1917	Jan. 1, 1917			Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9	
Benton	1916-17	168	17,337	\$187.00	\$75.16	40.19%	\$9.61	\$3.24	
Carroll	1910-17	699	82,757	167.00	75.40	45.15%	11.92	1.74	
Cerro Gordo	1910-17	754	105,041	143.75	61.76	42.98%	6.95	1.52	
Clinton	1915-17	211	21,660	155.75	74.20	47.64%	8.76	2.50	
Harrison	1910-17	976	93,702	138.25	61.32	44.35%	8.32	1.76	
Kossuth	1916-17	258	37,235	151.50	59.40	39.21%	6.56	1.17	
Linn	1910-17	630	57,294	169.25	66.08	39.04%	8.76	4.67	
Lyon	1907-17	1,163	195,271	171.75	77.04	44.86%	7.48	0.64	
Marshall	1910-17	470	50,950	180.25	81.20	45.05%	9.28	4.45	
Monona	1916-17	163	23,282	136.00	59.56	43.79%	6.40	0.61	
O'Brien	1907-17	1,440	214,444	174.50	82.12	47.06%	16.44	1.26	
Osceola	1907-17	1,168	193,077	148.50	66.92	45.06%	10.76	0.22	

1917 Estimated True Value of Land.—Continued

Name of county	Period covered by the	Number of trs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1917	Average assessed full val of land per acre Jan. 1, 1917	Ratio of assessed full val to est'd true val Jan. 1, 1917	Ass'd full val of general personal property per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
Plymouth	1907-17	1,585	222,623	161.75	78.80	47.83%	8.40	1.05
Polk	1915-17	432	31,715	180.50	83.26	46.13%	9.16	7.77
Pottawattomie	1910-17	1,020	106,116	152.25	68.55	45.02%	10.24	1.96
Sac	1916-17	188	20,989	191.50	78.82	41.15%	8.40	1.68
Sioux	1907-17	1,705	208,083	185.75	82.48	44.40%	9.28	1.31
Story	1916-17	150	15,874	192.50	80.60	41.87%	8.52	2.78
Woodbury	1907-17	2,297	323,618	140.25	60.68	43.27%	7.08	0.63
Total 19 Counties		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

(1) In the above named counties the average price per acre fixed by executors' administrators' and referees' sales and by inheritance tax appraisals, during 1916 and the first half of 1917, was \$144.74. The average assessed full value of the lands thus sold or appraised was \$71.75 per acre, and the ratio of the assessed full value to the sale price established in court proceedings was only 49.57%.

(2) The average sale price per acre indicated by the farm land transfers reported by the "Commercial West" for 1915 in 56 Iowa Counties was \$147.02, for 1916, the same source of information disclosed an average sale price in 55 Iowa counties of \$149.71 per acre; during the first half of 1917 the average sale price thus established for 46 Iowa counties is \$157.95 per acre.

1918 Estimated True Value of Land and 1917 Assessed Full Value of Rural Personal Property in 19 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1918	Average assessed full val of land per acre Jan. 1, 1918	Ratio of assessed full val to estd true val Jan. 1, 1918	Ass'd full val of general personal property per acre	
							Tangible property	Money's worth and credits
1	2	3	4	5	6	7	8	9
Benton	1916-18	287	28,586	193.75	75.68	39.06%	11.20	3.35
Corroll	1910-18	871	102,405	190.50	77.16	40.50%	8.56	1.83
Cerro Gordo	1910-18	830	116,698	144.00	67.76	47.06%	8.28	1.49
Clinton	1915-18	318	34,166	168.75	73.72	43.68%	9.20	2.73
Harrison	1910-18	1,142	111,974	145.00	64.36	44.80%	7.92	2.01
Kossuth	1916-18	525	74,794	147.25	54.68	37.13%	7.04	1.30
Linn	1910-18	847	75,768	188.75	73.32	39.16%	9.00	4.58
Lyon	1907-18	1,286	215,556	185.25	77.36	41.76%	7.96	0.84
Marshall	1910-18	637	69,969	195.50	82.76	42.33%	10.00	4.52
Monona	1916-18	369	41,793	140.50	60.32	42.93%	6.96	0.69
O'Brien	1907-18	1,565	257,340	186.00	82.20	43.72%	8.75	1.15
Osceola	1907-18	1,232	204,558	170.00	67.44	39.67%	8.36	0.38

1918 Estimated True Value of Land.—Continued.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1918	Average ass'd full val of land per acre Jan. 1, 1918	Ratio of ass'd full val to est'd true val Jan. 1, 1918	Ass'd full val of general personal property per acre	
							Tangible property	Money's and credits
1	2	3	4	5	6	7	8	9
Plymouth	1907-18	1,730	240,187	174.00	78.04	44.85%	9.61	1.34
Polk	1915-18	643	54,473	215.25	97.12	45.12%	10.00	3.30
Pottawattamie	1910-18	1,355	143,661	173.50	68.44	39.49%	10.77	2.27
Sac	1916-18	339	40,023	203.00	79.04	38.94%	9.48	1.98
Sioux	1907-18	1,846	224,385	204.50	84.36	41.25%	10.36	2.39
Story	1916-18	333	34,162	212.50	85.60	40.28%	8.95	2.57
Woodbury	1907-18	2,595	362,823	161.50	67.26	41.65%	8.69	0.68
19 Counties (Jan. 1, 1918)		18,670	2,409,341	177.35	73.76	41.59%	8.96	2.06
19 Counties (Jan. 1, 1917)		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

In the above named counties the average price per acre fixed by executors, administrators, and referees' sales and by inheritance tax appraisals, during 1917 and the first half of 1918, was \$157.65. The 1917 average assessed full value of the lands thus sold or appraised was \$72.06 per acre, and the ratio of the assessed full value to the sale price established in court proceedings was only 45.71%.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Illinois, July 5, 1918. #360.

(Copy)

1919 *Estimated True Value of Land and 1918 Assessed Full Value of Rural General Personal Property in 28 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

1 Name of county	2 Period covered by tfs	3 No. of tfs	4 Number of acres sold	5 Estimated average true value of land per acre Jan. 1st, 1919	6 Average ass'd full val of land per acre Jan. 1, 1919	7 Ratio of ass'd full val to est'd true val Jan. 1, 1919	8 Ass'd full val of general personal property per acre		
							Tangible property	Money's worth and credits	9
# Benton	1916-19	293	40,569	\$197.50	\$76.40	38.68%	\$12.48		\$4.50
Boone	1917-19	287	25,495	202.25	76.92	38.03%	10.80		4.41
# Carroll	1915-19	661	76,723	215.25	77.12	35.83%	12.76		2.93
Cedar	1918-19	238	25,407	193.25	80.96	41.89%	16.12		6.24
# Cerro Gordo	1915-19	582	78,517	154.75	67.27	43.47%	10.35		2.24
# Clinton	1915-19	434	43,877	179.25	74.16	41.37%	11.34		3.72
Greene	1917-19	345	44,566	198.50	76.44	38.51%	9.66		3.26
Hamilton	1918-19	258	28,857	203.75	73.73	36.18%	11.16		3.27
Hardin	1918-19	231	24,016	203.25	75.20	37.00%	10.60		2.48
# Harrison	1910-19	1,329	131,112	167.75	63.32	37.75%	11.60		2.52
# Kossuth	1916-19	778	109,644	152.75	64.88	42.93%	9.72		2.09
# Linn	1915-19	722	58,638	191.75	72.76	37.95%	11.24		5.44

1919 Estimated True Value of Land.—Continued.

Name of county	Period covered by yrs	No. of tfs	Number of acres sold	Estimated average true value of land per acre Jan. 1st, 1919	Average ass'd full val of land per acre Jan. 1, 1919	Ratio of ass'd full val to est'd true val Jan. 1, 1919	Ass'd full val of general personal property per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
== Lyon	1907-19	1,329	222,360	197.50	77.04	39.01%	10.08	1.50
== Mahaska	1917-19	274	22,090	181.75	73.72	40.56%	11.56	3.00
== Marshall	1916-19	531	58,441	212.75	81.56	38.34%	13.28	3.70
== Monona	1916-19	467	66,114	141.25	60.56	42.88%	8.84	1.38
== O'Brien	1907-19	1,747	262,283	213.50	82.52	38.65%	11.32	2.82
== Osceola	1907-19	1,308	217,247	185.00	67.48	36.48%	10.04	1.50
== Plymouth	1907-19	1,871	259,574	195.25	78.48	40.19%	12.12	2.91
== Polk	1915-19	841	70,584	215.00	90.20	41.95%	12.12	5.00
== Pottawattamie	1915-19	1,263	138,145	194.00	70.44	36.31%	15.56	3.15
== Sac	1916-19	516	62,809	227.50	79.41	34.92%	11.80	4.28
== Shelby	1917-19	385	46,573	214.25	76.65	35.78%	18.44	4.15
== Sioux	1907-19	2,038	247,596	245.00	84.64	34.55%	12.84	4.26
== Story	1916-19	509	54,638	233.50	82.64	35.37%	10.90	4.00
== Tama	1918-19	253	24,021	188.00	75.26	40.03%	12.45	4.07
== Webster	1918-19	303	34,444	200.50	74.09	36.95%	8.69	3.84

# Woodbury	1907-19	2,925	405,262	180.75	68.32	37,80%	13.04	1.22
28 Counties		22,820	2,879,634	194.31	74.16	38.17%	11.74	3.42
19 Counties Marked # (Jan. 1, 1919)		20,246	2,603,935	192.49	73.46	38.12%	11.76	3.22
19 Counties Marked # (Jan. 1, 1918)		18,670	2,409,341	177.35	73.76	41.59%	8.96	2.06
19 Counties Marked # (Jan. 1, 1917)		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

In the above named 28 counties 440 executors', administrators' and Referees' sales and inheritance tax appraisals, made chiefly during the year 1918 and the first half of the year 1919, and comprising 50,886 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$178.77. The 1918 average assessed full value of the acreage comprised in the above sales and appraisals was \$73.39 per acre, which bears a ratio of only 41.05% [fol. 353] to the sale price thus established by recent court sales or proceedings.

United States Railroad Administration, Director General of Railroads.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Rld., Chicago, Illinois, July 8, 1919. #430.

[Vol. 354]

EXHIBIT 5 TO POLLEYS' AFFIDAVIT

1920 *Estimated True Value of Land and 1919 Assessed Full Value of Rural General Personal Property in 30 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	Number of transfers	No. of acres sold	Estimated average true val. of land per acre, 1st, 1920		Average ass'd full val. of land per acre, year 1919	Ratio of 1919 ass'd full val. to est'd true val., Jan. 1, 1920	1919 ass'd full value of gen'l personal property per acre	
				4	5			8	9
						6	7	Tangible property	Monies and credits
Benton	1916-20	694	77,486	8,552.00	8,833.64	83.19%	33.19%	815.76	85.18
Boone	1917-20	465	41,419	213.75	86.28	86.28%	40.36%	10.92	4.82
Butler	1918-20	215	26,755	196.00	83.00	83.00%	42.35%	11.64	3.43
Carroll	1913-20	981	116,302	267.50	89.80	89.80%	33.57%	12.63	2.99
Cedar	1918-20	511	59,362	292.00	84.32	84.32%	32.18%	16.44	6.48
Cerro Gordo	1915-20	1,100	159,812	214.75	79.65	79.65%	36.81%	10.82	2.61
Clinton	1913-20	770	86,312	221.50	84.00	84.00%	37.92%	12.62	3.44
Greene	1917-20	580	74,435	232.75	92.08	92.08%	39.56%	10.56	3.47
Grundy	1918-20	175	22,794	231.00	95.40	95.40%	41.30%	13.88	3.86
Hamilton	1918-20	668	85,732	253.50	78.20	78.20%	30.85%	15.44	3.64
Hardin	1918-20	530	62,205	218.00	85.88	85.88%	38.47%	11.60	3.11
Harrison	1913-20	1,099	108,331	184.00	65.68	65.68%	35.70%	10.60	2.59
Kossuth	1916-20	1,406	213,058	185.75	65.16	65.16%	35.08%	11.03	2.77
Linn	1913-20	1,182	106,670	230.50	83.44	83.44%	36.20%	11.94	6.35
Lyon	1907-20	1,562	263,090	271.25	90.64	90.64%	33.45%	11.75	1.60

Mahaska	1917-20	485	42,733	214.00	74.84	34.97%	11.52	5.84
Marshall	1916-20	852	98,812	266.50	90.08	33.80%	13.65	6.75
Monona	1916-20	712	102,908	155.75	67.76	43.50%	9.50	1.55
O'Brien	1907-20	2,034	308,519	268.25	90.88	33.88%	12.80	3.89
Oscoda	1907-20	1,507	252,542	217.25	77.20	35.54%	20.08	2.01
Plymouth	1907-20	2,159	303,872	246.25	84.48	34.31%	14.00	3.01
Polk	1915-20	1,133	98,630	261.00	95.40	36.55%	11.72	7.38
Pottawattamie	1915-20	1,543	171,627	232.00	77.92	33.59%	14.43	3.79
Sac	1916-20	823	101,974	277.75	90.68	32.65%	13.35	3.67
Shelby	1917-20	530	65,442	256.75	89.88	35.00%	13.92	4.07
Sioux	1907-20	2,248	271,947	300.00	95.40	31.80%	14.95	5.11
Story	1916-20	889	100,181	288.00	94.64	32.86%	11.80	4.85
Tama	1918-20	665	72,286	247.00	81.72	33.08%	12.96	4.08
Webster	1918-20	750	91,641	256.00	80.20	31.27%	9.52	1.98
Woodbury	1907-20	3,522	491,724	214.00	76.96	35.96%	11.15	1.27
30 Counties		31,790	4,078,601	236.54	83.01	35.09%	12.71	3.75
28 Counties (Exc. Butler & Grundy Co's) Jan. 1, 1919,		22,820	2,879,634	194.31	74.16	38.17%	11.74	3.42

In the above named 30 counties 474 executors', administrators' and referees' sales and inheritance tax appraisals, made chiefly during the year 1919 and the first half of the year 1920, and comprising 62,720 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$215.16. The 1919 average assessed full value of the acreage comprised in the above court sales and appraisals was \$81.39 per acre, which bears a ratio of only 37.83% to the average sale price thus established by recent court sales or proceedings.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., July 8.
Copies of this table may be had on application. #517.

[Vol. 355]

EXHIBIT 6 TO POLLEYS' AFFIDAVIT

1921 *Estimated True Value of Land and 1920 Assessed Full Value of Rural General Personal Property in 30 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	Number of transfers	Estimated average		Average ass'd full val. of land per acre, Jan. 1, 1921	Ratio of 1919 ass'd full val. to est'd true val. Jan. 1, 1920	1920 ass'd full value of gen'l per-sonal property per acre	
			No. of acres sold	of land per acre, January 1st, 1921			Tangible property	Monies and credits
			3	4	5	6	7	8	9
Benton	1916-21	845	91,615	8,717.50	8,44.00	30.49%	814.43	85.47
Boone	1917-21	878	8,879	2,772.00	86.64	31.85%	11.12	6.79
Butler	1918-21	565	72,000	218.25	82.72	37.90%	10.92	4.72
Carroll	1915-21	1,112	130,738	286.00	91.47	31.98%	12.48	3.80
Cedar	1918-21	618	70,390	2,79.75	84.80	30.31%	16.27	7.91
Cerro Gordo	1915-21	1,250	181,306	220.25	79.33	36.02%	11.20	2.01
Clinton	1915-21	896	98,779	2,77.75	83.95	36.70%	11.27	3.56
Greene	1917-21	1,023	140,327	287.25	90.01	31.35%	9.84	5.96
Grundy	1918-21	394	54,491	301.00	95.92	31.87%	12.24	5.36
Hamilton	1918-21	866	102,492	2,79.75	78.20	27.93%	10.88	3.95
Hardin	1918-21	621	75,465	240.25	83.74	34.86%	10.92	3.68
Harrison	1915-21	1,214	121,539	199.50	65.86	33.01%	10.27	3.20
Kossuth	1916-21	1,588	256,851	297.25	65.56	31.62%	10.42	2.65
Linn	1915-21	1,429	127,700	249.00	83.60	33.36%	12.40	7.31
Lyon	1907-21	1,682	22,5520	284.25	94.32	32.13%	10.74	2.14

Malaska	1917-21	1,019	102,257	200,000	15,000	27,867	11,000	7,56
Marshall	1916-21	944	107,267	290,000	91,000	31,387	12,74	7,46
Monona	1916-21	812	119,264	171,500	67,45	39,337	8,72	1,29
O'Brien	1907-21	2,130	323,609	284,000	92,365	32,527	13,733	4,45
Oscoda	1907-21	1,025	273,734	222,25	15,18	33,877	11,22	1,81
Plymouth	1907-21	2,223	318,477	273,000	55,15	31,207	12,49	3,34
Polk	1915-21	1,353	118,107	284,500	96,107	33,747	11,84	8,73
Potawatamie	1915-21	1,753	193,785	256,000	74,92	30,447	13,82	3,62
Sac	1916-21	927	116,136	310,25	91,290	29,407	13,30	4,54
Shelby	1917-21	750	93,890	305,25	90,72	29,727	13,44	4,41
Sioux	1907-21	2,358	287,710	324,25	107,20	33,067	14,20	5,26
Story	1916-21	995	111,296	318,000	99,04	31,147	11,27	5,24
Tama	1918-21	753	80,115	252,500	83,36	33,017	13,26	5,90
Webster	1918-21	849	102,880	286,500	80,81	28,217	9,05	2,33
Woodbury	1907-21	3,750	523,641	221,000	76,000	34,397	11,19	1,76
30 Counties		37,270	4,766,662	261,02	23,393	32,167	11,93	4,42
Jan. 1, 1920, 30 Counties		31,790	4,078,601	236,54	83,01	35,097	12,71	3,75

In the above named 30 counties 307 executors' administrators' and referees' sales and inheritance tax appraisals, made chiefly during the year 1920 and the first half of the year 1921, and comprising 41,718 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$243.23. The 1920 average assessed full value of the acreage comprised in the above court sales and appraisals was \$85.26 per acre, which bears a ratio of only 35.05% to the average sale price thus established by recent court sales or proceedings.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., June 28, 1921. #733.
Copies of this table may be had on application.

[fol. 356]

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES
MOINES

[Title omitted]

EVIDENCE: EXHIBIT "G"

Affidavit of T. A. Polleys, Tax Commissioner for the Chicago & North Western Railway Company, Describing the Wide Distribution of Land Sales Throughout the Counties and in Individual Government Townships Within the Counties Covered by the Land Sales Investigation Made on Behalf of said Complainant in Thirty-four Counties Covering Transfers Executed in 1920 and 1921.

STATE OF IOWA,

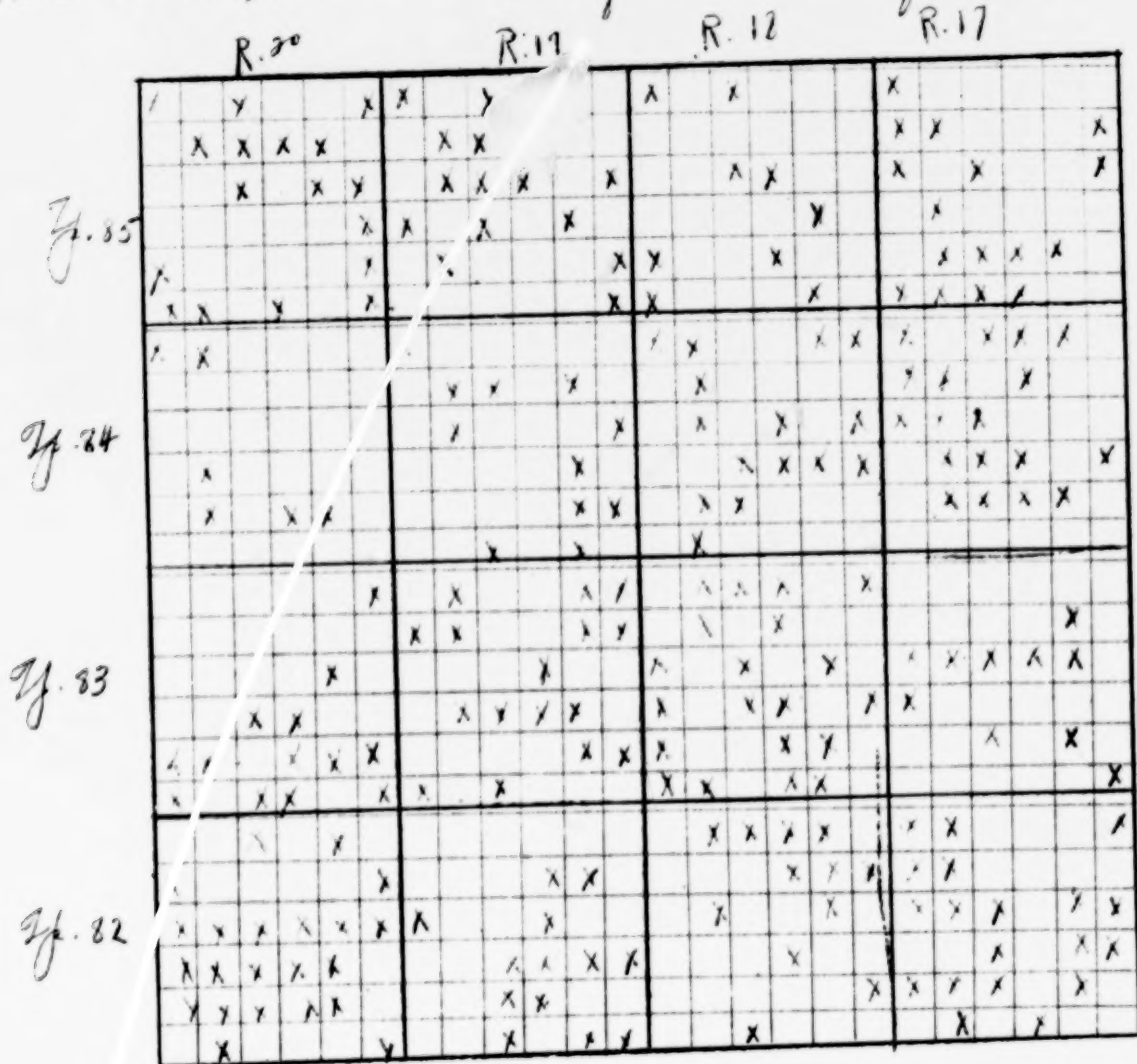
County of Polk, ss:

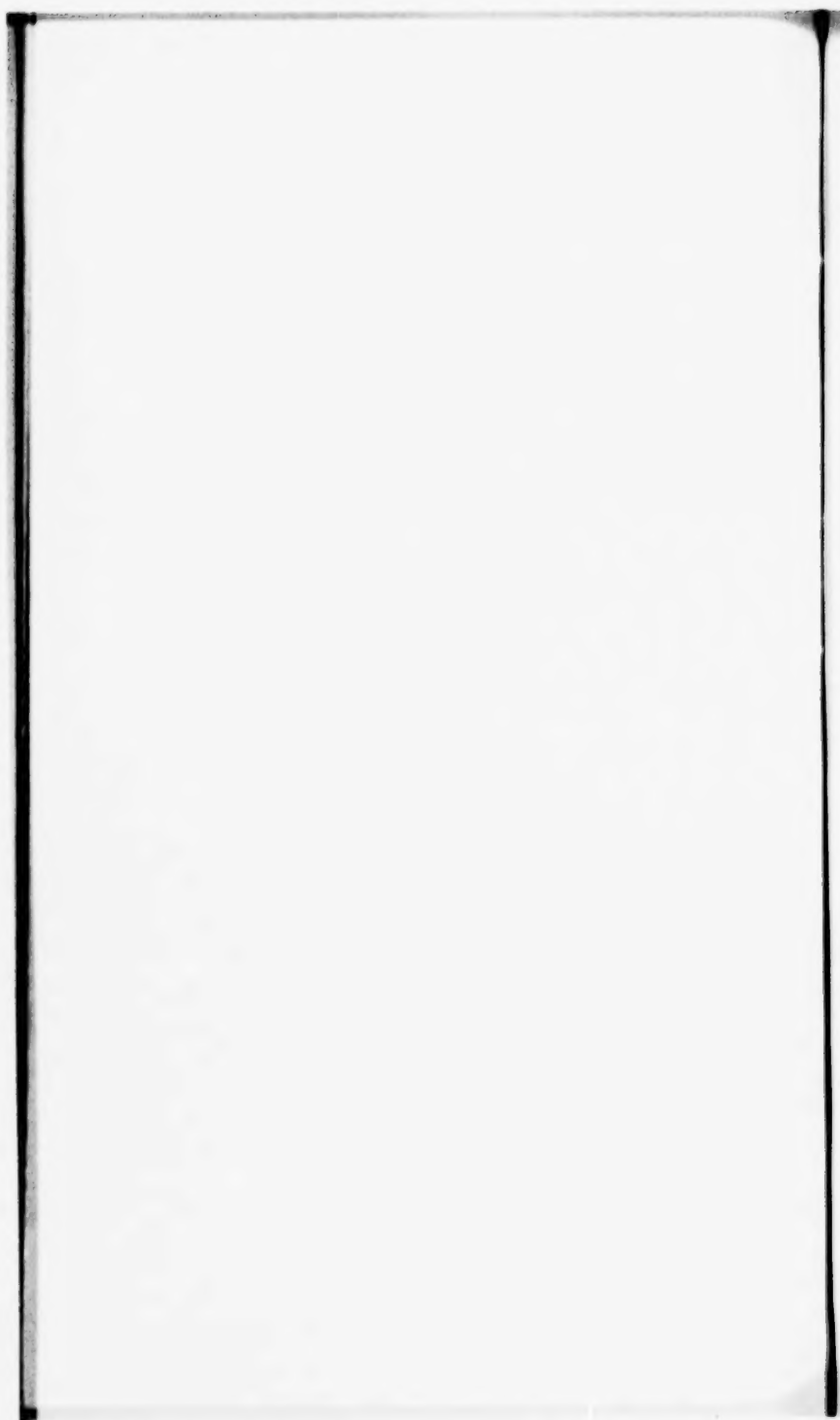
I, T. A. Polleys, being first duly sworn, on my oath depose and state:

1. That I am now and for more than five years past have been the Tax Commissioner of the Chicago & North Western Railway Company and that I am empowered by said Railway Company to make the representations hereinafter contained and to execute this affidavit.

2. That as said Tax Commissioner, I have had charge of the investigation of transfers of farm lands made during the years 1920 and 1921 in 34 Iowa counties crossed by the lines of the said Chicago & North Western Railway Company; that I have examined the detail sheets covering the transfers gathered in said counties in such investigation and made an analysis of the same for the purpose of determining the number of said sales located in the several government townships within said thirty-four counties; that in the thirty-[fol. 357] four counties mentioned there are located 609 entire or fractional township; that in each of 80 of said government townships, the number of land transfers executed in 1920 and 1921 and covered by said investigation, as above mentioned, was less than 10, a considerable number of said 80 townships, however, being fractional townships, part of the same being located in the county in question and part in an adjoining county; that in 246 of the said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 10 to 19, inclusive; that in 180 of the said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 20 to 29, inclusive; that in 73 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 30 to 39, inclusive; that in 25 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investiga-

(Copy)
 Marsh' all Co., June: - Plot of location of 1920-21 land sales





tion, range from 40 to 49, inclusive; and that in 5 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 50 to 59, inclusive.

3. That Exhibit "1," attached hereto, is intended to illustrate, for the counties of Cerro Gordo and Marshall, the wide distribution of the land transfers executed in 1920 and 1921 and covered by said investigation, among the various sections of the government townships included within said two counties; that the said diagram is fairly illustrative of the wide distribution of said land sales in the other remaining thirty-two counties covered by the land sales investigation conducted on behalf of said complainant.

T. A. Polleys.

Subscribed in my presence and sworn to before me by the said T. A. Polleys this 8th day of September, A. D. 1921.
Della Brody, Notary Public in and for Polk County, Iowa.

(Here follows Exhibit 1 to Polley's Affidavit, marked side folio pages 358 and 359.)

[fol. 360] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION, AT DES MOINES

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "7"

Affidavit of W. L. Harding, Former Governor of Iowa

STATE OF IOWA,
County of Polk, ss:

I, W. L. Harding, being first duly sworn, on my oath depose and say:

That I am a resident of Sioux City, Woodbury County, Iowa; that I was Governor of Iowa from the middle of January, 1917 to the middle of January, 1921; that during that period and all of that period, I was a member of the Executive Council of the State of Iowa; that as a member of said Executive Council, in the years 1917 and 1919, during the month of July, as by statute provided, the Executive Council sat as a State Board of Review on the equalization of all property other than public utilities; that said Executive Council had before it the values placed upon farm lands by the assessors from the various counties, said information being transmitted by the county auditors; that said Executive Council, in its deliberations, simply equalized the valuations of farm lands as between the various

counties; that there was no attempt made on the part of the Council [fol. 361] to fix the value of farm lands throughout the state of — in the various counties, but simply to equalize the values that had been placed thereon by the assessors throughout the state; that independent of this information, the Executive Council and the members thereof gathered information as to the actual value of farm lands throughout the state through the Secretary of the Executive Council sending out letters of inquiry to bankers, real estate dealers, farmers, and other classes of people in position to know the actual value of farm lands, as well as certain information in reference to actual sales that had taken place; that as an individual member of the Executive Council, I have traveled throughout every county in this state and have talked with many people in the various counties as to actual value of farm lands and upon this information and all other information which came to me, it is my opinion that the assessed value of farm lands, as equalized by the Executive Council, did not in any county exceed 50% of the actual value of farm lands in that county.

W. L. Harding.

Subscribed in my presence and sworn to before me by the said W. L. Harding this 10th day of September, A. D. 1921.
Della Brody, Notary Public in and for Polk County, Iowa.

[fol. 362] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION, AT DES MOINES

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "8"

*Affidavit of Frank S. Shaw, Former Auditor of State of the State of
Iowa*

STATE OF IOWA,
County of Polk, ss:

I, Frank S. Shaw, being first duly sworn, on my oath depose and say:

That I am a resident of Des Moines, Polk County, Iowa; that I was Auditor of State of the State of Iowa from January 2, 1915 to January 3, 1921; that during that period and all of that period, I was a member of the Executive Council of the State of Iowa; that as a member of said Executive Council, in the years 1915, 1917 and 1919, during the month of July, as by statute provided, the Executive Council sat as a State Board of Review on the equalization of all property other than public utilities; that said Executive Council had before it the values placed upon farm lands by the assessors from the various counties, said information being transmitted by the county auditors;

that said Executive Council, in its deliberations, simply equalized the valuations of farm lands as between the various counties; that there was no attempt made on the part of the Council to fix the value of farm lands throughout the state or in the various counties, [fol. 363] but simply to equalize the values that had been placed thereon by the assessors throughout the state; that independent of this information, the Executive Council and the members thereof gathered information as to the actual value of farm lands throughout the state through the Secretary of the Executive Council sending out letters of inquiry to bankers, real estate dealers, farmers, and other classes of people in position to know the actual value of farm lands, as well as certain information in reference to actual sales that had taken place; that as an individual member of the Executive Council, I have traveled throughout many counties in this state and have talked with many people in the various counties as to actual value of farm lands and upon this information and all other information which came to me, I am of the opinion that the assessed value of farm lands, as equalized by the Executive Council, did not in any county exceed 50% of the actual value of farm lands in that county.

Frank S. Shaw.

Subscribed in my presence and sworn to before me by the said Frank S. Shaw this 10th day of September, A. D. 1921. M. Helen Thompson, Notary Public in and for Polk County, Iowa.

[fol. 364] IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "D"

Affidavit of E. H. Hoyt, Former Treasurer of State of The State of Iowa

STATE OF IOWA,

County of Polk, ss:

I, E. H. Hoyt, being first duly sworn, on my oath depose and say:

That I am a resident of Manchester, Delaware County, Iowa, and that I have resided in the State of Iowa for more than forty years last past; that between May, 1917 and 1920, inclusive, I was Treasurer of the State of Iowa and by virtue of my office was a member of the Executive Council of the State of Iowa;

That by virtue of being a member of the Executive Council, I was also a member of the State Board of Review; that during the period I was a member of the Executive Council, said Council performed their duties with respect to equalizing the assessment of farm lands in the following manner:

From various sources of information, including their knowledge with respect thereto, the Council ascertained the average value of [fol. 365] farm lands in the various counties throughout the state for the year 1920. This was done principally by the Secretary of said Council, under their direction, securing the opinion of bankers, real estate men, farmers, and others in each of the counties of the state as to the value of farm lands in such counties. Based upon this information, the Council attempted to equalize the assessed value of farm lands as returned to it by the county auditors by raising or lowering such valuation so that as between the counties the assessed value of farm lands should bear the same relation to the actual value. The Executive Council did not attempt at any time to raise the assessed value of farms lands so as such assessed value should equal the actual value thereof, it being the theory of the Executive Council that their duties required simply the equalization as between the counties.

From the information above secured, it was found that the assessment upon farm lands as made by the county assessors as reported by the county auditors did not represent the actual value of such lands and in fact was very considerably below such actual value, nor did the assessed value of farm lands, as equalized by said Executive Council, represent the full actual value.

E. H. Hoyt.

Subscribed in my presence and sworn to before me by the said E. H. Hoyt this 10th day of September, A. D. 1921. Della Brody, Notary Public in and for Polk County, Iowa.

[fol. 366] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

(Copy)

EVIDENCE: EXHIBIT "10"

Affidavit in Support of Motion for Temporary Injunction

STATE OF IOWA.

County of Polk, ss:

I, A. B. Howland, being first duly sworn on oath state that I am a citizen and resident of the State of Iowa, and a practicing attorney and counselor at law.

That by Section 1377, et seq. of the Code of Iowa, it is provided that the county auditors of the respective counties within this State shall transmit to the Auditor of State an abstract of real and personal property in his county, showing the number of acres of land and the aggregate, actual and taxable value of the same, returned by the assessors as corrected by the County Board of Review, and the Executive Council, acting as a State Board of Review, shall adjust the valuation or property of the several counties, adding to or deducting from the valuation of each kind such percentage as will bring the same to its taxable value, as provided by law, and that the several schedules hereto attached are true and correct statements taken from the records of the Executive Council of Iowa, relating to the reports of said county auditors to the Executive Council, and show respectively the name of the county, the number of acres of land returned for [fol. 367] each county by the respective auditors thereof, also the average full or actual value per acre of such land, and the equalized or adjusted value thereof, as made by the Executive Council under Sections 1378 and 1379 of the Code of 1897; and that Exhibit "A" shows such facts hereinbefore stated for the years 1917 and 1918; Exhibit "B" shows such facts for the years 1919 and 1920, and Exhibit "C" for the year 1921, and said assessment as shown by said Exhibit "C" is the assessment upon which taxes for the year 1922 have been levied; that said figures have been computed from the records of the Executive Council of the State of Iowa, and are true and correct as shown by said records. That the average actual value of all farm lands of the State of Iowa as returned to the Executive Council and equalized or adjusted by such Executive Council for the years 1917 and 1918 was Sixty-eight and 13 100 Dollars (\$68.13) per acre; for the years 1919 and 1920 Seventy-five & 64 100 Dollars (\$75.64) per acre, and for the years 1921 and 1922 Seventy-six & 63 100 Dollars (\$76.63) per acre, as shown by the records of the said Executive Council of the State of Iowa.

A. B. Howland.

Subscribed and sworn to before me by the said A. B. Howland this 23rd day of October, A. D. 1922. M. H. Parmele,
Notary Public in and for said County.

[fol. 368] EXHIBIT A TO HOWLAND'S AFFIDAVIT

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Year- 1917 and 1918, as Provided in Section- 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	355,851	\$57.36	\$57.65
Adams	266,213	63.59	66.23
Allamakee	406,063	40.10	42.65
Appanoose	310,630	47.32	48.10
Audubon	275,539	84.49	76.26
Benton	439,050	76.87	76.87
Black Hawk	348,330	74.23	73.31
Boone	350,739	76.40	76.66
Bremer	264,683	70.52	68.49
Buchanan	348,286	63.06	62.50
Buena Vista	353,901	78.28	78.56
Butler	355,242	75.63	75.63
Calhoun	350,628	77.83	74.91
Carroll	353,868	77.03	77.15
Cass	350,672	73.90	73.90
Cedar	356,066	80.08	79.89
Cerro Gordo	346,109	65.33	67.93
Cherokee	364,732	79.25	79.32
Chickasaw	311,275	63.37	62.16
Clarke	267,025	49.62	49.62
Clay	343,328	67.70	67.73
Clayton	476,389	42.07	55.43
Clinton	423,688	71.83	74.56
Crawford	440,539	80.69	80.45
Dallas	364,589	76.06	74.70
Davis	315,908	45.47	44.51
Decatur	328,580	37.51	45.97
Delaware	359,661	66.59	66.96
Des Moines	251,855	72.73	72.96
Dickinson	232,363	52.98	57.38
Dubuque	376,209	58.33	58.72
Emmet	238,615	61.28	57.78
Fayette	449,221	68.15	66.96
Floyd	312,143	48.90	67.65
Franklin	356,325	75.68	74.88
Fremont	311,082	51.54	60.96
Greene	355,282	76.35	76.63
Grundy	312,036	84.70	84.33
Guthrie	371,719	63.96	63.71
Hamilton	364,841	73.26	73.57
Hancock	354,539	52.76	54.93
Hardin	345,913	74.71	74.50
Harrison	425,369	61.30	63.17

County	Acres of land assessed	Reported value per acre	Adjusted value
Henry	259,954	73.81	73.81
Howard	291,595	56.47	56.43
Humboldt	270,371	72.23	71.61
Ida	267,160	91.26	84.00
Iowa	363,000	77.10	76.40
Jackson	393,632	54.68	54.68
Jasper	441,054	77.24	76.00
Jefferson	268,433	56.60	62.99
Johnson	380,729	64.60	75.06
Jones	353,318	62.92	64.02
[fol. 369]			
Keokuk	356,643	68.99	68.70
Kossuth	602,836	53.93	53.81
Lee	312,221	54.32	66.45
Linn	444,656	73.37	72.51
Louisa	249,862	73.68	74.00
Lucas	276,442	47.71	44.88
Lyon	360,760	85.73	77.31
Madison	351,825	62.35	62.22
Mahaska	354,298	74.60	73.60
Marion	308,928	63.21	63.21
Marshall	346,959	81.22	80.44
Mills	261,937	58.76	69.25
Mitchell	294,829	71.71	71.89
Monona	422,560	54.95	60.77
Monroe	262,004	45.11	45.16
Montgomery	260,747	75.70	76.15
Muscatine	265,654	74.36	74.36
O'Brien	352,010	83.96	82.52
Osceola	245,962	67.24	67.01
Page	326,684	77.72	75.61
Palo Alto	351,046	57.84	55.93
Plymouth	531,446	65.70	79.00
Pocahontas	357,060	78.97	72.00
Polk	340,027	100.38	89.79
Pottawattamie	576,761	66.11	68.57
Poweshiek	368,558	75.87	76.25
Ringgold	337,274	47.00	49.12
Sac	355,181	79.09	78.97
Scott	273,930	80.03	85.00
Story	347,709	80.51	82.14
Tama	442,365	72.45	75.76
Taylor	329,808	63.36	63.28
Union	270,410	53.35	59.61
Van Buren	303,518	34.35	48.25
Wapello	261,918	61.74	60.92
Warren	351,136	66.05	62.87

County	Acres of land assessed	Reported value per acre	Adjusted value
Washington	347,237	75.08	75.83
Wayne	322,254	47.75	54.13
Webster	440,954	74.28	72.62
Winnemago	247,045	55.00	54.63
Winneshiek	429,021	50.39	49.87
Woodbury	529,393	68.33	67.42
Worth	247,603	56.15	55.37
Wright	354,811	71.45	71.70
Shelby	369,916	75.81	76.43
Sioux	464,565	85.00	85.00
Total	34,383,141	\$66.86	\$68.13

[fol. 370] EXHIBIT B TO HOWLAND'S AFFIDAVIT

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1919 and 1920, as Provided in Sections 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	356,859	\$58.39	\$75.32
Adams	264,932	64.09	73.06
Allamakee	408,090	42.16	54.80
Appanoose	331,697	49.24	55.14
Audubon	275,814	94.69	89.96
Benton	411,559	77.24	84.19
Black Hawk	342,009	75.56	85.37
Boone	350,062	86.00	86.00
Bremer	263,660	71.33	78.34
Buchanan	346,503	63.32	70.28
Buena Vista	353,795	78.61	84.90
Butler	354,208	83.58	83.58
Calhoun	349,735	77.03	84.73
Carroll	351,938	81.97	90.16
Cass	350,101	75.92	81.99
Cedar	354,601	81.60	84.04
Cerro Gordo	346,137	79.05	79.05
Cherokee	364,197	79.54	85.10
Chickasaw	309,795	63.83	68.28
Clarke	265,255	49.78	59.73
Clay	342,608	74.61	76.84
Clayton	471,993	42.31	65.16
Clinton	400,913	71.34	84.18
Crawford	439,967	102.67	95.49
Dallas	365,292	76.60	84.26
Davis	319,537	44.49	55.15
Decatur	335,413	38.97	55.24

County	Acres of land assessed	Reported value per acre	Adjusted value
Delaware	362,479	69.73	69.73
Des Moines	249,519	72.30	75.19
Dickinson	273,901	73.88	75.06
Dubuque	369,920	62.43	73.18
Emmet	241,358	70.15	68.04
Fayette	448,502	69.49	75.04
Floyd	306,908	57.69	73.27
Franklin	358,091	76.58	76.58
Fremont	312,244	56.25	65.25
Greene	355,480	80.50	90.21
Grundy	310,866	85.71	95.14
Guthrie	367,148	64.39	72.76
Hamilton	364,948	75.04	80.29
Hancock	354,612	52.12	65.15
Hardin	349,512	74.82	83.79
Harrison	427,269	65.52	65.52
Henry	262,050	74.06	74.06
Howard	291,742	59.84	68.21
Humboldt	269,075	77.56	77.56
Ia	274,102	99.87	94.88
Iowa	359,469	78.69	84.19
Jackson	394,150	55.99	64.94
Jasper	446,035	78.44	83.93
Jefferson	264,608	57.26	75.00
Johnson	382,742	67.55	79.72
Jones	348,532	64.31	68.16

[fol. 371]

Keokuk	355,696	\$65.59	\$75.15
Kossuth	604,990	60.94	65.20
Lee	312,156	55.16	72.81
Linn	445,082	81.25	85.29
Louisa	249,608	74.24	74.24
Lucas	274,619	56.32	54.84
Lyon	360,759	78.57	90.35
Madison	354,244	72.66	72.66
Mahaska	354,393	75.67	75.67
Marion	348,854	61.88	68.06
Marshall	347,201	87.22	89.83
Mills	257,449	58.78	72.88
Mitchell	294,773	72.52	72.52
Monona	416,612	57.37	68.27
Monroe	264,771	46.15	54.92
Montgomery	260,558	75.39	82.17
Muscatine	262,459	76.42	80.31
O'Brien	351,926	84.66	94.81
Osceola	245,890	70.25	77.25
Page	326,522	78.30	78.30

County	Acres of land assessed	Reported value per acre	Adjusted value
Palo Alto	351,298	66.52	73.17
Plymouth	534,455	81.93	85.17
Pocahontas	538,050	87.54	80.54
Polk	367,526	87.35	89.97
Pottawattamie	567,617	74.99	77.70
Poweshiek	367,697	76.21	83.83
Ringgold	330,912	50.38	54.91
Sac	354,959	79.40	95.28
Scott	269,584	86.74	86.74
Shelby	365,147	75.51	89.85
Sioux	465,186	84.87	90.05
Story	347,465	81.25	95.07
Tama	444,864	76.25	83.87
Taylor	330,285	60.03	67.83
Union	269,477	53.46	65.22
Van Buren	303,072	34.85	55.07
Wapello	263,025	61.60	67.76
Warren	356,840	61.60	73.04
Washington	348,092	77.69	85.45
Wayne	321,548	53.80	62.95
Webster	440,006	80.87	80.87
Winnebago	255,296	56.30	65.30
Winneshie	428,172	50.91	65.16
Woodbury	521,764	77.98	77.98
Worth	246,971	56.86	64.82
Wright	357,160	71.53	77.25
	34,434,953	70.36	75.64

Assessed Adjusted Value	26,319,168.87
Assessed reported value	24,129,194.62

[fol. 372] EXHIBIT C TO HOWLAND'S AFFIDAVIT

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1921 and 1922, as Provided in Sections 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	356,161	\$59.30	\$75.31
Adams	265,248	64.33	73.33
Allamakee	407,153	42.66	54.60
Appanoose	312,861	45.23	55.18
Audubon	276,208	84.28	90.17
Benton	411,202	83.17	84.00
Black Hawk	342,197	76.36	85.42

County	Acres of land assessed	Reported value per acre	Adjusted value
Boone	350,517	87.89	87.89
Bremer	266,382	79.24	79.24
Buchanan	346,488	65.85	70.46
Buena Vista	353,675	78.61	84.90
Butler	355,806	79.01	79.80
Calhoun	348,867	99.36	84.46
Carroll	353,614	87.99	89.75
Cass	350,390	81.97	81.97
Cedar	353,866	84.62	84.62
Cerro Gordo	345,983	84.10	79.05
Cherokee	364,031	87.23	85.49
Chickasaw	310,175	68.61	68.61
Clarke	264,449	60.02	60.02
Clay	347,346	86.47	76.96
Clayton	468,366	42.68	65.30
Clinton	424,207	71.26	84.09
Crawford	440,101	96.05	96.05
Dallas	362,121	84.35	84.35
Davis	318,779	55.17	55.17
Decatur	338,214	42.42	55.15
Delaware	360,568	69.13	69.13
Des Moines	252,312	72.77	74.95
Dickinson	249,365	75.29	75.29
Dubuque	369,526	78.27	73.48
Emmet	240,544	64.66	67.89
Fayette	448,714	73.10	75.29
Floyd	306,225	57.46	73.55
Franklin	357,092	77.28	77.28
Fremont	313,393	66.17	66.17
Greene	355,517	87.97	90.41
Grundy	310,581	85.53	94.72
Guthrie	369,100	64.56	72.95
Hamilton	355,430	74.58	80.55
Hancock	354,296	53.15	65.37
Hardin	348,924	83.78	83.78
Harrison	426,928	62.75	65.30
Henry	362,034	74.93	74.93
Howard	291,556	59.46	68.38
Humboldt	269,329	77.35	77.35
Ia	266,853	101.14	95.07
Iowa	359,611	83.24	83.24
Jackson	397,547	64.76	64.76
Jasper	446,784	84.35	84.35
Jefferson	265,737	57.78	75.11
Johnson	379,711	65.95	79.80
Jones	353,810	66.67	68.00
Keokuk	358,867	74.71	74.71
Kossuth	605,347	67.68	64.97

County	Acres of land assessed	Reported value per acre	Adjusted value
Lee	310,405	55.49	72.69
[fol. 373]			
Linn	45,015	85.65	85.65
Louisa	250,019	73.82	73.82
Lucas	25,945	55.41	55.41
Lyons	36,736	78.53	90.31
Madison	35,511	73.56	73.56
Mahaska	355,351	75.79	75.79
Marion	351.82	61.81	67.98
Marshall	347,635	86.88	89.49
Mills	261,313	59.06	72.61
Mitchell	295,025	72.56	72.56
Monona	414,518	58.76	65.88
Monroe	264,619	49.23	51.14
Montgomery	260,006	76.00	82.08
Muscatine	265,206	75.91	80.46
O'Brien	351,992	81.58	91.73
Oscola	245,977	76.91	76.91
Page	319,371	80.19	78.59
Palo Alto	350,796	70.19	73.00
Plymouth	532,676	82.21	85.53
Pocahontas	357,721	88.63	80.75
Polk	339,672	100.72	89.61
Pottawattamie	573,291	75.51	75.81
Poweshiek	367,342	76.53	81.18
Ringgold	337,553	53.59	53.59
Sac	355,052	90.18	95.53
Scott	269,717	89.16	86.49
Shelby	363,685	76.61	89.67
Sioux	466,731	93.91	91.85
Story	347,360	81.97	95.08
Tama	448,778	81.17	83.61
Taylor	325,533	72.37	68.03
Union	261,749	53.11	65.16
Van Buren	301,392	31.91	55.16
Wapello	262,540	60.26	67.49
Warren	357,223	68.99	75.13
Washington	313,363	78.11	85.17
Wayne	321,903	53.07	63.15
Webster	410,804	80.89	80.89
Winnebago	254,425	70.59	65.65
Winneshek	426,859	61.56	61.56
Woodbury	526,626	86.83	78.15
Worth	252,337	65.11	61.81
Wright	356,405	72.41	71.31
Total	34,368,516	873.26	876.63

1921-1922.

[fol. 374] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA

[Title omitted]

EVIDENCE: EXHIBIT 13

Stipulation

Come now the parties to the above entitled cause and for the purpose of facilitating the hearing upon the application for a temporary injunction hereby stipulate and agree that upon the hearing of the application for a temporary injunction the introduction of evidence as to the market value of farm lands as contemplated by section 1305 of the Code of Iowa, 1897, on January 1, 1922, and August 1, 1922, is hereby waived and in lieu of the introduction of such evidence it is agreed that such evidence would show, if introduced, the average value of such lands on said dates to be one hundred twenty-five dollars (\$125.00) per acre.

Nothing in this stipulation contained shall be construed to limit either party hereto in the production of evidence as to such land values upon the final hearing in this cause.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Attorneys for
Complainant. Ben J. Gibson, Attorneys for Respondents.

[fol. 375] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTH-
ERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

EVIDENCE: EXHIBIT 14

Affidavit of M. E. Keehan

STATE OF IOWA,

Polk County, ss:

I, M. E. Keehan, being first duly sworn on oath depose and say that I am Assistant Comptroller of the Chicago Great Western Railroad Company and have occupied said position continuously for the past two years, and that prior to that time I was Auditor of Disbursements for ten years; that as Assistant Comptroller I have direct charge and supervision, under the direction of Con F. Krebs, Comptroller, of all the records, accounts and books of said company and am familiar with the same and with the methods of accounting that are used as directed by the rules promulgated by the Interstate Commerce Commission, pursuant to the provisions of the Act of Congress to regulate commerce.

That I have examined the books and records of said railroad company and compiled figures therefrom which are shown in the ex-

hibits hereto attached, all of which are true and complete, and which may be taken into consideration in determining the actual market value of the property of the Chicago Great Western Railroad Company used and useful for railway purposes within the State of Iowa. [fol. 376] That said exhibits have been prepared under my direction from the books of the said company for the purpose of determining the actual market value of the property of the complainant, and said exhibits hereto attached are all true and correct.

The exhibits numbered as Tables 1 to 9 respectively, attached to this affidavit, are computations of figures on different bases, from which the value of the complainant's property within the State of Iowa may be determined.

With one exception, the exhibits show that the value of the system has been computed and an apportionment of said system value made to Iowa.

The complainant operates a railroad system of 1,496.06 miles, of which 1,410 miles is owned by it or the Mason City & Ft. Dodge Railroad Company, which has leased its entire property to the complainant for operation, in addition to which it operates through leases or trackage rights over an additional 86.06 miles. Of this mileage, 769.176 miles are located within the State of Iowa.

The complainant has received from the Bureau of Valuation of the Interstate Commerce Commission a tentative appraisement of the value of its property owned by it and used and useful for railway purposes, which, including the valuation fixed upon the property of the Mason City & Ft. Dodge Railroad Company, which for all purposes of this affidavit is treated as mileage owned by the complainant, is shown in Table No. 1. In fixing this valuation, the said Bureau also apportioned to the State of Iowa the value of the property located therein, which is shown by the said table to be 50.45 per cent of the value of the system and amounts in the State of Iowa to \$43,515 per mile.

In Table No. 2 there is tabulated the gross earnings in Iowa, operating expenses in Iowa and net earnings in Iowa, as the same are apportioned and carried upon the books of the company, such apportionment being made at the time the earnings accrued. In [fol. 377] computing the gross earnings as shown on the said books, the statute of the State of Iowa has been followed, and there has been credited to the State of Iowa such proportion of each item of revenue as the mileage of the general haul within the State bears to the mileage of the entire haul.

In apportioning the operating expenses to the State of Iowa for the purpose of determining the net earnings within the State such expenses are properly chargeable to operation under the classification of the Interstate Commerce Commission on account of the maintenance of way and structures, and each operating division has been taken as a unit and such expenses incurred upon the respective division within the State have been apportioned to Iowa in such proportion as the road mileage of each division within the State bears to the total mileage of such division.

The expenses incurred for the maintenance of equipment has been divided between the State and the system upon the basis of revenue engine mileage upon each operating division, that is, each division is likewise taken as a unit and the proportion of the revenue engine mileage within the State upon each division to the total revenue engine mileage of such division has been determined, and a charge of such expense of maintenance of equipment has been charged to Iowa in the same proportion.

At Oelwein there are maintained shops used for the repair and maintenance of locomotives and cars, used both within and without the State, and in which such locomotives and cars from all divisions are brought for such purpose.

The expenditures for the operation of such shops are divided into expenditures for maintenance of way and structures and maintenance of equipment; the former is included in the operating expenses in Iowa in such proportion as the road mileage in Iowa bears to the road mileage of the system operated. The latter are apportioned to the State of Iowa on the basis of the proportion that the revenue engine mileage within the State bears to the revenue engine mileage of the system operated.

All expenses incurred for the solicitation of business, classified by the Interstate Commerce Commission as traffic expenditures, are apportioned to the State of Iowa on the basis of the proportion that the revenue engine mileage within the State bears to the revenue engine mileage of the system.

The transportation expenditures, by which is meant the cost of the movement of trains, such as the wages of employees, fuel, et cetera, the payment of claims for damages to person and property occurring by reason of the operation of trains, the cost of maintenance of station forces, are chargeable to the operating expenses in Iowa in such proportion as the train mileage within the State bears to the train mileage of the system.

All expenses for the maintenance of the general offices, known as general expenses, are apportioned to the State of Iowa in such proportion as the total charges which are apportioned to the State of Iowa in the four general accounts, namely, maintenance of way, maintenance of equipment, traffic and transportation, bears to the total expense incurred upon the system in such accounts.

The expenditures incurred and chargeable to operating expense on account of hotels and restaurants are localized within the State of Iowa, and the cost of operation of dining and buffet cars is apportioned to the State of Iowa in such proportions as the mileage made by individual dining and buffet cars in the State of Iowa bears to the total mileage moved upon the system.

Expenses incurred for the hire of equipment, such as per diems on freight cars, are apportioned to the State of Iowa in such proportion [fol. 379] as the freight car mileage within the State bears to the freight car mileage upon the system. In computing per diems and charging them to the operating expense, that amount is charged to operating expenses which represents the net debit against the com-

plainant after allowing all claims due it on account of the use by other companies of the freight cars owned by it.

Any expenses that may have been incurred for the hire of equipment used in work train service is apportioned to the State of Iowa on the basis of the proportion which the main track miles in Iowa bears to the main track miles of the system.

In taking account of expenditures incurred on account of rents and charged to joint facilities, and miscellaneous rents, there is apportioned to the operating expense within the State of Iowa, such proportion of the net debit against the complainant as the revenue engine mileage within the State bears to the revenue engine mileage to the system. By net debit is meant the excess payments for rent of joint facilities over the amount of rents received from others for the use of the facilities of the complainant.

In apportioning revenues received, other than freight revenues and passenger revenues, to-wit, revenues derived from the transportation of the United States mail and express and the operation of dining and buffet cars, the following methods are used.

Revenue from transportation of United States mail is apportioned to the State of Iowa upon the basis of the mileage within the State of the various weighing districts, which are established by the Postmaster General.

Revenues derived from the transportation of express is apportioned to the State of Iowa on the basis of the mileage made by the various cars hauling express within the State to the mileage of the entire haul.

[fol. 380] The revenue derived from the operation of dining and buffet cars is apportioned to Iowa on the basis of the proportion which the mileage made by each individual dining and buffet car within the State bears to the mileage of the entire haul.

Table No. 2 represents the results of net earnings within the State, obtained in the foregoing manner, and shows the expense of the operation of the complainant's property in the State over a period of five years ending December 31, 1921.

It will be noticed that in the year 1920 there was a deficit from operation within the State of Iowa of something over \$2,000,000, and that in computing the value of the property within the State by capitalizing the net earnings shown in said table this deficit has not been taken into account, but that for the purpose of capitalizing the net earnings for said period, net earnings for the four years in which the revenues exceeded the expenses of operation only have been included. This table shows that if the net earnings within the State over the said period, without making any deduction on account of loss from operation in the year 1920, were capitalized at the low rate of five per cent per annum and divided by the number of miles within the State there is produced a value per mile of \$21,509.

Table No. 3 is a compilation of locomotive miles, train miles, car miles and ton miles moving over the system of the complainant during the five year period ending December 31, 1921, and showing the respective mileages of each upon the system and within the State of Iowa. This is done for the purpose of determining the percentage of

traffic which has moved within the State as compared to that moving on the system. The percentage for each year of the foregoing mileages moving within the state has been determined and an average taken of each for the five year period. Thus, it shows that the average percentage of locomotive miles moving within the State of Iowa during the said five year period is 49.97 per cent of the locomotive [fol. 381] mileage of the system; that the average percentage of the train mileage moving within the state is 52.83 per cent of the train miles of the system; that the average percentage of car miles during said period is 50.84 per cent of the car miles upon the system; and that the average percentage of the ton miles during said period is 52.6 per cent of the ton miles moving over the system.

These percentages were calculated for the purpose of use in apportioning to Iowa the proper percentage of system value as calculated in the methods shown in Tables 5, 7 and 8, respectively.

Table No. 4 is a statement showing all outstanding securities and capital issues and other obligations of the complainant, including the same of its subsidiaries, the Minneapolis Terminal, Mason City & Ft. Dodge, and Winona, Minnesota & Pacific, which were outstanding during the years 1917 to 1921 respectively and inclusive. The said table shows the par value of such securities and the total of the same and shows the average market value of each, computed upon the basis of the average price for which the same sold upon the market of the New York Stock Exchange wherever market quotations were available. This average is determined by taking the high point and the low point for each of the respective years for each of the classes of securities listed and applying the same to the number of outstanding units of such securities. In this calculation equipment trust notes and the obligations of the complainant to the U. S. Government for money borrowed is calculated at par. Where no market quotations have been available such as in the case of bonds of the Mason City & Ft. Dodge Company, the average market value has been computed on the basis of the amount asked at various times by holders thereof, even though no sales were made. So computed the table shows that the average annual market value of all securities during said period was \$35,273,488.

Table No. 5 shows an apportionment to Iowa of the system value as determined by Table No. 4, that is, the market value of stocks and [fol. 382] bonds by the use of the percentages shown in Table No. 3, and the use of the percentage of value located within the state by the Bureau of Valuation, Table No. 1, and the percentage of main track mileage within the state. Assuming the value to be as indicated by the market value of securities, shown in Table No. 4 to be \$35,273,488, the average value per mile in Iowa, apportioned on the bases of the various percentages shown in Table No. 3 and the percentage of physical valuation and main track mileage is \$23,794.

Table No. 6 is a statement showing the gross earnings, operating expenses and net earnings of the system of the complainant during each of the years from 1917 to 1921 inclusive, and shows said net earnings to be \$3,684,337.28.

If the foregoing net income for the five year period were capitalized at the rate of 5 per cent per annum, it shows the system value as shown by Table No. 7 to be \$15,537,349.20. In the said table there is also shown an apportionment to the State of Iowa on the bases of the same percentages as set out in Table No. 5, the average of which is \$10,510 per mile.

During the period of Federal control the system of complainant was operated by the U. S. Government for which the complainant was paid under the provisions of the Federal Control Act of Congress a certain rental known as the Standard return. This standard return was based upon the net earnings of the system for the three years ending June 30, 1917, which years were the most prosperous ever enjoyed by the complainant. Such standard return or annual rental allowed by the Interstate Commerce Commission pursuant to the terms of said Act of Congress, is the sum of \$2,953,449.94. If such sum were capitalized on the basis of 5 per cent for the purpose of determining the value of the system such value would amount to \$59,068,998.80.

In Table No. 8 is shown this value calculated by capitalization, on such basis, of the standard return, and same apportioned to Iowa on [fol. 383] the bases of the percentages set forth in Table No. 5, which shows that the average value per mile for all bases of the property of the complainant within the state was \$39,859.

If the average of all five methods used for determining the value apportioned on the six bases in the State of Iowa be the correct value of the property of the complainant within this state which is used and useful for railroad purposes, the same is shown in Table 9 to be \$27,837.

That the line of complainant's railroad extends from the city of Chicago, Illinois to the city of Oelwein, Iowa, and from that point it has a line extending to the city of Minneapolis, Minnesota, one from said point to Omaha, Nebraska and another one from said point to Kansas City Missouri, and also has a line extending from the city of Clarion, Iowa, a point on the line between Oelwein and Omaha, to Hayfield, Minnesota, a point on the line between Oelwein and Minneapolis.

As heretofore stated, the entire mileage owned by it is 1,410, in addition to which it operates through trackage rights or leases an additional 86.06 miles. 769,176 miles of the line owned by it, or the Mason City & Ft. Dodge Railroad Company, all the stock of which is owned by the complainant, is located in Iowa; 375 miles of which belongs to the Mason City & Ft. Dodge Railroad Company i being operated by the complainant under a lease of the facilities of said company to it, as part of the complainant's system.

The complainant owns no terminals at any of the termini to which its lines extend, except small freight terminals in the city of Minneapolis, and it is required, in order to reach Kansas City, Missouri, to operate over the lines of several different carriers. That the rentals paid on account of not owning terminals reduce the earning power of the complainant's property by greatly increasing its operating expenses.

That the complainant has never paid dividends upon its common stock; that the dividends upon its preferred stock never — been fully [fol. 384] paid and since the year 1914, there is in arrears an accumulation of twenty-five per cent of dividends on said preferred stock which are unpaid.

That for the first eight months of the year 1922, the complainant has failed to earn its operating expenses and fixed charges, and at the end of such period there was a deficit of approximately \$1,000,000.00.

The property of the complainant has been assessed by the Executive Council of the State of Iowa since the year 1914 at \$30,000.00 per mile, until the current year when the same was fixed at \$29,000.00. During the same period the value of the property of the Chicago & Northwestern Railroad Company in Iowa was assessed by the Executive Council at \$38,800.00 per mile, until the current year when it was fixed at \$38,000.00 and the property in Iowa belonging to the Chicago, Burlington & Quincy Railroad Company has been fixed at the sum of \$34,400.00 until the current year when the same was fixed at \$36,000.00.

That each of the lines named have lines extending from the Mississippi to the Missouri River within the State of Iowa, which are double track, and that each of the said companies own valuable terminals in various cities which they serve, they are companies which have commonly paid dividends upon their common stock and have accumulated surplus.

That affiant has examined the reports made by said companies to the Executive Council of the State of Iowa for the purpose of comparing their value with that of the complainant. Such reports disclose that the average earnings per mile of the Chicago & Northwestern Railroad Company in Iowa during the period from 1917 to 1921, inclusive, has been \$1,689.82, and that the average earnings per mile during each of said years of the Chicago, Burlington & Quincy Railroad Company in Iowa has been \$1,748.49 per mile, while the average earnings per mile during each of said years of the [fol. 385] complainant, before the payment of taxes, has been only the sum of \$314.96 per mile.

That the difference in value between the property of the complainant in Iowa and the property of each of the said lines within the State is far greater than the difference represented by the assessments of the respective properties as fixed by the Executive Council.

(Signed) M. E. Keehan.

Subscribed and sworn to before me this 20th day of October, A. D. 1922. W. E. Liljequist, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 386]

TABLE No. 1

Physical valuation of entire system of C. G. W. R. R. Co. as tentatively determined by the Bureau of Valuation of the Interstate Commerce Commission..	\$665,324,461
Physical valuation of property in Iowa as tentatively determined by the Bureau of Valuation of the Interstate Commerce Commission.....	33,462,942
Value per mile in Iowa.....	43,515
Per cent of physical property in Iowa.....	50.45

[fol. 387]

TABLE No. 2

Statement of Gross Earnings, Operating Expenses, and Net Earnings of C. G. W. R. R. System in Iowa for Years 1917 to 1921, Inclusive

Mileage Owned and Operated in Iowa 769

Year.	Gross earnings	Operating expenses	Net earnings
1917	\$8,630,843.32	\$6,770,011.79	\$1,860,831.53
1918	9,867,708.51	9,611,982.05	255,726.46
1919	11,269,009.98	10,591,616.83	677,392.92
1920	12,404,016.05	11,501,616.83	(a) 2,097,600.78
1921	12,477,035.37	11,962,259.91	514,775.46

[fol. 388]

TABLE No. 3

Locomotive miles

	System	Iowa	Per cent
1917	7,941,782	3,974,243	50.04
1918	7,858,689	3,946,225	50.21
1919	7,821,736	3,877,522	49.57
1920	7,865,808	3,900,205	49.58
1921	7,641,548	3,856,097	50.46
Total	39,129,563	19,554,292	49.97

(a) Deficit—If the net earnings above shown were capitalized at five per cent considering only the years in which the earnings exceeded the operating expenses, the value per mile for the respective years would be as follows:

1917.....	\$48,385	} An average for the four years of \$21,509 per mile.
1918.....	6,649	
1919.....	17,618	
1921.....	13,385	

If the total net earnings in Iowa for the five years, \$1,211,285.59 were capitalized at five per cent, we find a value per mile of \$6,290.

Town miles

	System	Iowa	Per cent
1917	5,852,542	3,119,761	53.30
1918	5,897,153	3,076,793	52.90
1919	5,250,394	3,076,973	52.59
1920	5,819,983	3,055,312	52.49
1921	5,731,981	3,035,889	52.96
Total	29,062,053	15,341,728	52.83

Car Miles (Not Including Work Car Miles)

	System	Iowa	Per cent
1917	120,207,388	61,142,564	50.86
1918	120,863,279	62,164,406	51.43
1919	121,443,492	61,303,618	50.47
1920	118,840,125	60,276,513	50.74
1921	129,270,655	65,575,617	50.72
Total	610,624,939	310,462,718	50.84

Ton Miles (Freight and Passenger)

	System	Iowa	Per cent
1917	2,103,055,877	1,101,710,215	52.23
1918	2,184,061,182	1,160,976,967	53.11
1919	2,161,723,258	1,133,260,905	52.35
1920	2,141,298,575	1,132,228,067	52.87
1921	1,961,762,253	1,019,166,083	51.95
Total	10,550,901,545	5,550,342,267	52.60

[fol. 389]

TABLE No. 4

C. G. W. Common Stock	\$45,210,513	\$4,549,308	\$3,842,894	\$4,323,255	\$4,040,690	\$3,475,558
C. G. W. Preferred Stock	43,926,602	13,013,256	11,091,467	11,415,426	10,322,751	7,220,455
C. G. W. First Mortgage Bonds	25,383,000	15,927,833	15,610,545	14,500,000	13,548,276	11,024,108
Minneapolis Term Bonds	500,000	300,000	300,000	300,000	300,000	300,000
M. C. & F. D. R. R. Co. Bonds	12,000,000	5,229,600	5,125,200	4,730,400	3,600,000	3,600,000
W. M. & P. R. R. Co. Bonds . .	11,000	4,793	4,698	4,503	3,300	3,300
Temp. Eq. Trust Notes	607,600	.....	.....	.....	607,600	607,600
U. S. Government Notes	2,205,373	.....	.....	.....	2,205,373	2,205,373
Total	<u>\$129,844,085</u>	<u>\$39,024,790</u>	<u>\$35,974,704</u>	<u>\$35,303,483</u>	<u>\$34,627,990</u>	<u>\$31,436,374</u>

Average annual market value of all securities during period, \$35,273,488.

[fol. 390]

TABLE No. 5

The value of system based on market quotations of outstanding securities (Table No. 4), taking an average for the 5 years 1917 to 1921, inclusive, was \$35,273,488.

If this value was apportioned to Iowa on the following bases, the results would be:

Basis	Per cent in Iowa	Valuation in Iowa	Value per mile
*Locomotive Mileage	49.97	\$17,626,162	\$22,911
*Train Mileage	52.83	18,634,983	24,233
*Ton Mileage	52.60	18,553,854	24,127
*Car Mileage	50.84	17,933,041	23,320
I. C. C. Physical Valuation.	50.45	17,795,474	23,141
Main Track Mileage	54.55	19,241,687	25,022

[fol. 391]

TABLE No. 6

*Statement of Gross Earnings, Operating Expenses, and Net Earnings
of U. G. W. R. R. System for Years 1917 to 1921, Inclusive*

Mileage Operated, 1,496,06

Year	Gross earnings	Operating expenses	Net earnings
1917	\$16,749,042.47	\$13,212,790.83	\$3,536,251.64
1918	19,320,312.18	18,605,823.55	714,488.63
1919	22,688,461.22	20,969,244.88	1,719,216.34
1920	26,912,814.60	30,030,798.66 (a)	3,117,984.06
1921	25,801,626.87	24,769,262.14	1,032,364.73
			<hr/>
			\$7,002,321.34
			3,117,984.06
			<hr/>
			\$3,884,337.28

[fol. 392]

TABLE No. 7

System net earnings for 5 years--1917 to 1921, inclusive	\$3,884,337.28
Average net earnings for 1 year	776,867.46
Value of property if capitalized at 5%	15,537,349.20

* These per cents are an average for the five years 1917 to 1921 inclusive.
(a) Deficit for 1920. Total net income for five years.

If the value of property as above indicated was assigned to Iowa on the following bases, the results would be:

Basis	Per cent in Iowa	Valuation in Iowa	Value per mile
*Locomotive Mileage	49.97	\$7,764,013.40	\$10,096
*Train Mileage	52.83	8,208,381.47	10,674
*Ton Mileage	52.60	8,172,645.68	10,627
*Car Mileage	50.84	7,899,188.23	10,272
I. C. C. Physical Valuation	50.45	7,838,592.67	10,193
Main Track Mileage	54.55	8,476,744.00	11,020

[fol. 393]

TABLE No. 8

Standard Return during Federal Control \$2,953,449.94
 Capitalized at 5% would indicate a property value of 59,068,998.80

If this value was assigned to property in Iowa on the following bases, the results would be:

Locomotive Mileage	49.97	\$29,516,768.70	\$38,374
Train Mileage	52.83	31,206,142.06	40,570
Ton Mileage	52.60	31,070,293.36	40,394
Car Mileage	50.84	30,030,678.98	39,041
I. C. C.—Physical Valuation	50.45	29,800,309.89	38,752
Main Track Mileage	54.55	32,222,138.84	42,023
			<hr/> \$239,154

Average per mile for all bases 39,859

[fol. 394]

TABLE No. 9

Recapitulation

Value per mile as shown by Table No. 1 (Physical Value)	\$43,515
Value per mile as shown by Table No. 2 (Net Earnings in Iowa)	21,509
Value per mile as shown by Table No. 5 (Mkt. Value Securities)	23,794
Value per mile as shown by Table No. 7 (System Net Earnings Apportioned)	10,510
Value per mile as shown by Table No. 8 (Standard returns capitalized and apportioned)	39,859
Grand Average Per Mile	<hr/> \$27,837

* These per cents are an average for the five years 1917 to 1921 inclusive.

[fol. 395] IN THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4196. Equity

[Title omitted]

EVIDENCE: EXHIBIT No. 19

Affidavit of W. C. Harvey

STATE OF IOWA,
Polk County, ss:

I, W. C. Harvey, being duly sworn, depose and say that I am Valuation Engineer for the Chicago Great Western Railroad Company, the above named Complainant, and have been employed by said Company in that capacity for the past six years; that as such Valuation Engineer I have had direct charge and supervision over the work of appraising, on behalf of said Complainant, its property used by it in transportation service and am familiar with the reports filed and received from the Bureau of Valuation of the Interstate Commerce Commission which are made by said Bureau under authority of the Act of Congress directing the Interstate Commerce Commission to determine the value of all railway properties over the United States.

That I have examined the affidavit, and Exhibits thereto attached, [fol. 396] of E. B. Ellis offered as defendants' Exhibit N. That in Item 8, Sheet 1, attached to said affidavit there is taken into account the sum of \$20,928,709 as the total value of the land of the entire system "including excess cost of acquisition plus incidental expenses." The amount appearing in the report of the said Bureau determined as the excess cost of acquisition and incidental expenses is \$10,109,431. That said report was received from the Bureau of Valuation prior to June 7, 1922, upon which date amendment to the valuation act went into effect, striking therefrom the following words in Par. Second: "and separately the original and present cost of condemnation and damages or of purchase in excess of such original cost or present value." Since the date of said amendment the Bureau of Valuation has not been taking into consideration nor determining the factor referred to in Affiant's said Item #8 as "excess cost of acquisition and incidental expenses."

That the said report further shows that the value of Complainant's land actually situated in the State of Iowa is \$3,490,308, not including the excess cost of acquisition, instead of \$7,614,305, as set forth in Item 9 on page 1 of Exhibit "1," attached to said affidavit. Deduction of this item, which is the amount of excess cost of acquisition apportioned to Iowa from the final result shown on sheet 2 of Exhibit "1," attached to said affidavit, brings a net result of \$32,696,771 as the physical value of Complainant's property within the State. This is \$800,000 less than the physical valuation shown in Table

#1 attached to the affidavit of M. E. Keehan, introduced as Complainant's Exhibit "14." The figures there shown include materials and supplies.

In Exhibit "27" the said Ellis sets forth an additional investment in road and equipment from June 30, 1916 to 1921, amounting to [fol. 397] \$10,960,397.67, which is apportioned to Iowa on the basis of the percentage shown in Exhibit "1" as 49 per cent and in Exhibit "3" is added to the physical value previously determined.

Of this \$10,960,397.67 of investment in road and equipment since June 30th, 1916, \$6,588,672.79 were placed therein at the time the Complainant acquired the property formerly belonging to the Wisconsin, Minnesota & Pacific Railway Company, which is now operating as part of its system and the valuation of which is included in the report of the Bureau of Valuation—that is to say, the valuation of this property as fixed by the Bureau of Valuation is included in Items 1 and 8. Therefore, to determine that amount as a sum expended for additions and betterments and added to the valuation shown in Exhibit "1" is a duplication.

That the Valuation Engineers of the Interstate Commerce Commission came to the Complainant's property on July 1st, 1916, and while the date as of which the value is tentatively determined is fixed at June 30th of that year, the appraisers were, as a matter of fact, working until late in December. That at said time there was much work under construction, which was appraised as if completed, and its value determined, though the charges therefor had not yet been taken into account, and that the amount shown in the accounts for additions and betterments from June 30th, 1916 was to a substantial proportion expended for work already included by the appraisers of the Commission and is included in the tentative value reported by them. The amount that will actually be allowed by the Commission for additions and betterments since June 30th, 1916 will be determined by it and will necessarily be a much smaller sum than appears in the books as having been expended subsequent to [fol. 398] that date. Work is now being done for the purpose of enabling the Commission to determine how much this addition would be, but it is impossible at the present time to make an accurate statement of the amount expended for additions and betterments since June 30th, 1916, which is not included in the tentative report.

What is herein said applies equally to the affidavit of Clifford Thorne, in so far as there is taken into account in said affidavit the account of expenditures for additions and betterments.

(Sgd.) W. C. Harvey.

Subscribed in my presence and sworn to before me by the above named W. C. Harvey this October 24th, 1922.
(Sgd.) Clifford V. Gore, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 399] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

EVIDENCE: EXHIBIT No. 20

Affidavit of M. E. Keehan

STATE OF IOWA,

Polk County, ss:

I, M. E. Keehan, being duly sworn, depose and say that I am the M. E. Keehan who executed the Complainant's Exhibit "14".

That I have examined the affidavit of Clifford Thorne, introduced as defendants' Exhibit "O", and find the same in error in taking into account the expenditures for additions and betterments that is set forth in the affidavit of W. C. Harvey referring to the affidavits of Ellis and Thorne.

That I have further noted the tabulations of the capital expenditures account or the cost of property account carried on the books of Complainant.

That the cost of property account as carried on the Complainant's books does not represent the actual cash expenditure, but merely represents the par value of securities issued at the time the property was acquired, plus subsequent additions and betterments.

I further depose and say that the division of accounting of the Interstate Commerce Commission which has been working in connection with the Bureau of Valuation of said Commission has inspected the books of the Complainant for the purpose of determining the original cost of Complainant's property as reflected by its books, and have served a tentative accounting report wherein it is found that the original cost of the property as reflected by the books is approximately \$73,000,000 as of June 30th, 1916 instead of \$129,000,000 plus, shown in Exhibit "B", Sheet 1, of defendants' Exhibit "O", the affidavit of Clifford Thorne. In this figure is included the valuation of the W., M. & P. R. R., which was acquired in June 1920, and taken into the addition and betterments account that year.

The total additions and betterments from July 1st, 1916 to December 31st, 1921, less the amount representing the acquisition of the W., M. & P. R. R., is shown by Complainant's books to be \$4,382,222.45, of which \$1,236,844.18 was expended upon the road and structures within the State of Iowa and \$1,035,245.41 was assigned to Iowa on account of the purchase of equipment, the Locomotives being assigned on the basis of locomotive miles, freight train cars on the basis of freight train car miles, passenger cars on the basis of passenger train car miles and working equipment on the basis of road mileage, and while none of these additions of additions and betterments are duplications in the accounting records, they do represent

in some degree improvements and betterments which are included in the inventory taken by the Board of Valuation, but not taken into the accounts until after June 30th, 1916.

I further depose and say that the item of working capital which in [fol. 401] Exhibit "O" the affiant adds to the appraisalment of the physical property is in the case of the Complainant just about equal to the average amount of outstanding current bills and accruing pay rolls. That while the accounts for various dates show cash on hand, the Complainant does not in fact have any working capital in excess of current obligations. Therefore, in taking account of the conclusions expressed by affiant, Clifford Thorne, in said Exhibit "O" there should be taken therefrom \$2,457,896.05.

Attention is called to the fact that in Sheet 1, Exhibit "A", attached to said Exhibit "O", affiant assumes a total operating income for the year 1920 of \$3,394,051, and as a matter of fact for the year 1920 the Complainant's property was operated at a loss of said sum, as shown by the annual report filed with the Railroad Commission. Hence, the calculations following on an assumption for the year 1920 were erroneous.

Attention is further called to the fact that for the year 1921 on Sheet 1 of Exhibit "A" of said affidavit, affiant computes the net property income of the Complainant at \$1,712,649, whereas, in truth and in fact, said property income for the year was \$1,032,364.73, as shown in Table 6 attached to Exhibit "14", as will appear from examination of Exhibit "p", report of Complainant to the Executive Council for that year in Schedule 10 thereof.

(Sgd.) M. E. Keenan.

Subscribed and sworn to before me and in my presence this
October 24th, 1922. (Sgd.) Clifford V. Core, Notary
Public in and for Polk County, Iowa. (Seal.)

[fol. 402]

EVIDENCE: EXHIBIT B-1

(Copy)

Assessed Value of All Farm Lands

1913	\$2,276,108,116.00
1914	2,280,571,328.00
1915	2,313,303,936.00
1916	2,332,348,452.00
1917	2,348,372,196.00
1918	2,351,182,954.00
1919	2,627,598,052.00
1920	2,637,360,820.00
1921	2,633,893,939.00
1922	2,633,893,939.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values

of all farm lands in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 403]

EVIDENCE: EXHIBIT B-2

(Copy)

Assessed Value Town Lots

1913	.....	\$646,025,203.00
1914	.....	641,461,848.00
1915	.....	667,608,937.00
1916	.....	684,114,278.00
1917	.....	721,730,880.00
1918	.....	749,416,536.00
1919	.....	785,782,607.00
1920	.....	801,756,944.00
1921	.....	866,429,042.00
1922	.....	872,242,893.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of town lots in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 404]

EVIDENCE: EXHIBIT B-3

(Copy)

Assessed Value Bank Stock

1913	.....	\$59,956,973.00
1914	.....	63,361,915.00
1915	.....	69,212,104.00
1916	.....	67,816,506.00
1917	.....	64,593,450.00
1918	.....	73,939,505.00
1919	.....	48,187,476.00
1920	.....	50,908,146.00
1921	.....	106,318,723.00
1922	.....	84,970,710.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all the bank stock in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 405]

EVIDENCE: EXHIBIT B-4

(Copy)

Assessed Value Live Stock

1913	.....	\$217,591,426.00
1914	.....	242,703,586.00
1915	.....	253,631,172.00
1916	.....	264,497,977.00
1917	.....	281,966,560.00
1918	.....	361,816,512.00
1919	.....	380,577,400.00
1920	.....	344,414,603.00
1921	.....	253,939,053.00
1922	.....	204,059,267.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all the live stock in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 406]

EVIDENCE: EXHIBIT B-5

(Copy)

Assessed Value Transmission Lines

1921	.....	\$4,705,880.00
1922	.....	5,184,746.61

I, E. Mae Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed value of all transmission line property in the State

of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 407]

EVIDENCE: EXHIBIT B-6

(Copy)

Assessed Value Telegraph and Telephone

1913	\$18,422,000.00
1914	18,800,758.00
1915	20,529,308.00
1916	20,678,400.00
1917	21,871,832.00
1918	22,482,776.00
1919	23,530,692.00
1920	24,314,748.00
1921	32,310,912.00
1922	29,359,322.00

I, E. Mae Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all telegraph and telephone property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 408]

EVIDENCE: EXHIBIT B-7

(Copy)

Assessed Value Express Property

1913	\$1,490,836.00
1914	1,205,548.00
1915	1,249,356.00
1916	1,249,336.00
1917	1,243,844.00
1918	1,238,408.00
1919	1,239,688.00
1920	1,236,400.00
1921	1,323,332.00
1922	1,305,537.12

I, E. Mae Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all express property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 409]

EVIDENCE: EXHIBIT B-8

(Copy)

*Assessed Value of All Other Property, Including Moneys and Credits,
Excluding Railroad Property and Farm Lands*

1913.....	\$626,042,452.00
1914.....	361,325,156.00
1915.....	376,176,402.00
1916.....	417,751,273.00
1917.....	450,859,432.00
1918.....	559,194,080.00
1919.....	606,757,876.00
1920.....	837,195,209.00
1921.....	883,055,497.00
1922.....	855,467,828.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all other property, including moneys and credits, in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 410]

EVIDENCE: EXHIBIT B-9

(Copy)

Assessed Value Railroad Property

1913.....	\$320,426,884.00
1914.....	321,664,008.00
1915.....	324,600,368.00
1916.....	324,600,380.00
1917.....	325,753,908.00
1918.....	325,445,892.00
1919.....	324,857,796.00
1920.....	326,958,204.00
1921.....	329,974,735.20
1922.....	326,621,939.00

I, E. Mac Sweany, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mac Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 411]

EVIDENCE: EXHIBIT B-10

(Copy)

Assessed Value of All Property Except Farm Land and Railroad Property

1913.....	\$1,249,102,106.00
1914.....	1,328,798,811.00
1915.....	1,388,407,279.00
1916.....	1,456,107,770.00
1917.....	1,542,265,998.00
1918.....	1,768,087,817.00
1919.....	1,846,075,739.00
1920.....	2,059,826,050.00
1921.....	2,148,081,434.00
1922.....	2,152,590,303.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property except farm lands and railroad property, in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and

are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 412]

EVIDENCE: EXHIBIT B-11

(Copy)

Assessed Value of All Property Except Railroad Property

1913.....	\$3,553,632.382.00
1914.....	3,636,154,538.00
1915.....	3,735,532,144.00
1916.....	3,809,941,970.00
1917.....	3,885,086,617.00
1918.....	4,119,309,290.00
1919.....	4,477,992,626.00
1920.....	4,712,590,188.00
1921.....	4,781,975,378.00
1922.....	4,786,484,242.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property except railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 413]

EVIDENCE: EXHIBIT B-12

(Copy)

Assessed Value of All Property, Including Railroad Property

1913.....	\$3,874,059,266.00
1914.....	3,957,818,546.00
1915.....	4,060,132,512.00
1916.....	4,134,542,350.00
1917.....	4,210,840,525.00
1918.....	4,444,755,182.00
1919.....	4,802,850,422.00
1920.....	5,039,548,392.00
1921.....	5,111,950,113.00
1922.....	5,113,106,181.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values

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*Consolidated Table Showing Entire Line Operating Revenues and Operating Expenses and Net Railway Operating Income and Operating Ratio
Operating Revenues and Expenses for Seven Months Ended July 31, 1921 and 1922, of the Railroads Na*

Railway companies	Year	Average miles of road operated	Operating revenues			Operating expenses			Net oper.
			Freight	Passenger	Total	Maintenance of way and structures	Maintenance of equipment	Total	
Chicago, Burlington & Quincy R. R.	1922	9393.69	\$63283350	\$15794271	\$87244590	\$11289002	\$17867096	\$66227317	\$1
" " " "	1921	9392.62	66524405	18403954	92426593	10447143	18965915	72182592]
Chicago & Northwestern Ry.	1922	8402.28	54512834	17074068	80341437	10522558	15896565	65388984	-
" " " "	1921	8402.28	51761764	20099375	79821464	12189321	19906606	76269729	-
Chicago, Milwaukee & St. Paul. . . .	1922	11030.25	61102179	13638098	83851104	11155614	20663240	71707222	-
" " " "	1921	10670.31	56098945	15949205	79967120	10236167	19921950	74286258	-
Chicago, Rock Island & Pacific. . . .	1922	7661.69	46109851	15015036	66084247	8455996	13568465	53296304	-
" " " "	1921	7661.63	51720607	17321144	73896404	9906757	16712255	62152593	-
Chicago, St. P., Minn. & Omaha. . . .	1922	1749.19	10733499	3520084	15379723	1954030	2787451	12711942	-
" " " "	1921	1749.19	10222411	4108421	15307511	1918607	3460003	14491226	-
Great Northern.	1922	8264.72	38020333	8282058	51745576	7504353	9897605	41523659	-
" " " "	1921	8164.88	35068773	9550875	50046749	8369125	11595132	45654483	-
Union Pacific.	1922	3683.55	38577580	9766284	53498279	6249315	11385590	37778042	-
" " " "	1921	3614.39	41153284	11423558	58023239	6107647	12423362	41410638	-
Wabash Railway.	1922	2472.96	25645164	5241526	33273800	4708637	6318780	27130307	-
" " " "	1921	2472.96	25941167	5861731	33694921	5501796	6930611	29928047	-

— Deficit.

Authority—Interstate Commerce Commission,
Bureau of Statistics.

(Copy)

Line Operating Revenues and Operating Expenses and Net Railway Operating Income and Operating Ratio and Per Cent Maintenance Expenses Bear to Operating Revenues and Expenses for Seven Months Ended July 31, 1921 and 1922, of the Railroads Named

Year	Average miles of road operated	Operating revenues			Operating expenses			Net railway operating income	Operating ratio, %	Maintenance expenses, % of	
		Freight	Passenger	Total	Maintenance of way and structures	Maintenance of equipment	Total			Op. revenues	Op. expenses
1922	9393.69	\$63283350	\$15794271	\$87244590	\$11289002	\$17867096	\$66227317	\$13628812	75.9	33.4	44.0
1921	9392.62	66524405	18403954	92426593	10447143	18965915	72182592	13831646	78.1	31.8	40.8
1922	8402.28	54512834	17074068	80341437	10522558	15896565	65388984	9627691	81.4	32.9	40.4
1921	8402.28	51761764	20099375	79821464	12189321	19906606	76269729	-1611090	95.6	40.2	42.1
1922	11030.25	61102179	13638098	83851104	11155614	20663240	71707222	3951689	85.5	37.9	44.4
1921	10670.31	56098945	15949205	79967120	10236167	19921950	74286258	-1794056	92.9	37.7	40.6
1922	7661.69	46109851	15015036	66084247	8455996	13568465	53296304	7208077	80.7	33.3	41.3
1921	7661.63	51720607	17321144	73896404	9906757	16712255	62152593	6324946	84.1	36.0	42.8
1922	1749.19	10733499	3520084	15379723	1954030	2787451	12711942	1507759	82.7	30.8	37.3
1921	1749.19	10222411	4108421	15307511	1918607	3460003	14491226	-376338	94.7	35.1	37.1
1922	8264.72	38020333	8282058	51745576	7504353	9897605	41523659	6449503	80.2	33.6	41.9
1921	8164.88	35068773	9550875	50046749	8369125	11595132	45654483	-538012	91.2	39.9	43.7
1922	3683.55	38577580	9766284	53498279	6249315	11385590	37778042	11532079	70.6	33.0	46.7
1921	3614.39	41153284	11423558	58023239	6107647	12423362	41410638	12302080	71.4	31.9	44.7
1922	2472.96	25645164	5241526	33273800	4708637	6318780	27130307	2963305	81.5	33.1	40.6
1921	2472.96	25941167	5861731	33694921	5501796	6930611	29928047	1128175	88.8	36.9	41.5

Source Commission.
ties.

of all property, including railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made by the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 414]

EVIDENCE: EXHIBIT H

(Copy)

STATE OF IOWA,

County of Polk, ss:

I, C. B. Ellis, being first duly sworn on oath depose and say that the attached Exhibit is a true and correct compilation of the expenditures for road and equipment and general expenditures for each of the several roads affected, for the years ending June 30, 1914 to December 31, 1921, inclusive. The exhibit is prepared from the reports filed with the Railroad Commission of the State of Iowa by each of the carriers affected.

Dated this 21st day of October, A. D. 1922.

(Sgd.) C. B. Ellis, Chief Statistician for the Railroad Commission of the State of Iowa.

Subscribed and sworn to by C. B. Ellis, before me, this 21st day of October, A. D., 1922. (Sgd.) Winogene Hobbs.

(Here follows statement marked side folio page 415.)

[fol. 416]

EVIDENCE: EXHIBIT J

(Copy)

STATE OF IOWA,

County of Polk, ss:

I, C. B. Ellis, under oath depose and state that I am statistician for the Board of Railroad Commissioners of the State of Iowa, and that I have compiled the attached consolidated table showing entire line operating revenues, operating expenses, net railway operating income, operating ratio and per cent maintenance expenses bear to the operating revenues and expenses, for seven months, ending July 31, 1921, and 1922, for the carriers indicated as shown by the reports of the Bureau of Statistics of the Interstate Commerce Commission.

C. B. Ellis.

Subscribed and sworn to before me this 21st day of October, A. D., 1922. Winogene Hobbs.

(Here follows table marked side folio page 417.)

[fol. 418]

EVIDENCE: EXHIBIT L-1

(Copy)

Average Operating Ratio of All Lines Reporting to the Iowa Railroad Commission for the Years 1910 to 1921, Inclusive

1910	67.88%
1911	67.08
1912	68.81
1913	66.96
1914	67.73
1915	66.63
1916	63.88
1916	63.49
1917	68.66
1918	80.69
1919	82.35
1920	91.35
1921	79.21

STATE OF IOWA.

Polk County, ss:

I, C. B. Ellis, under oath, depose and state that I am statistician for the Board of Railroad Commissioners of Iowa, and that as such I am familiar with the records and reports on file with said board, and that the foregoing figures were computed from the official records and reports on file with the said board for the years indicated, and that same are true and correct as I verily believe.

(Sgd.) C. B. Ellis.

Subscribed and sworn to before me by said C. B. Ellis, this 23rd day of October, 1922. Winogene Hobbs, Notary Public in and for said County. (Seal.)

[fol. 419]

EVIDENCE: EXHIBIT M

Assessed Value Chicago Great Western Railway

1913	\$24,415,140.00
1914	23,178,930.00
1915	23,075,280.00
1916	23,075,280.00
1917	23,075,280.00
1918	23,075,280.00
1919	23,075,280.00
1920	23,075,280.00
1921	23,075,280.00
1922	22,306,104.00

I, E. Mae Sweaney, Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of the Chicago Great Western Railway Company in Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweaney, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 420]

EVIDENCE: EXHIBIT X

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT
OF IOWA, CENTRAL DIVISION

No. 4196. Equity

[Title omitted]

Affidavit of C. B. Ellis Concerning the Physical Value of the Property of the Chicago Great Western Railroad Company in the State of Iowa.

STATE OF IOWA.

Polk County, ss:

I, C. B. Ellis, under oath depose and state:

1. That I am a resident of Iowa, and that I am the Statistician for the Board of Railroad Commissioners of the State of Iowa and have served in such capacity for more than four years. In such capacity, I have been in constant touch with railroad accounting and I am familiar with the records and reports concerning railroad operations and accounting on file with the Iowa Board of Railroad Commissioners; that I am familiar with the reports of the valuation department of the Interstate Commerce Commission, which show the tentative values of the cost of reproduction, less depreciation, of the physical property of the Chicago Great Western Railroad Company; that by reason of the nature of my work, I have had occasion to examine, and am familiar with, the reports filed with the Executive Council of the State of Iowa by the Chicago Great Western Railroad Company, and more particularly the annual report and the additional annual report of the Chicago Great Western Railroad Company for the year ending December 31, 1921.

2. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the

Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the annual reports of the [fol. 421] Chicago Great Western Railroad Company to the Executive Council of the State of Iowa and to the Board of Railroad Commissioners for the State of Iowa, and that I have had prepared under my personal direction and supervision Exhibits "1," "2" and "3," which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the physical property of the said Chicago Great Western Railroad Company for taxation purposes within the State of Iowa, and that said exhibits show the true and correct facts as disclosed by the aforesaid records and official reports as interpreted under prevailing accounting systems.

3. The following is a brief outline of the above named exhibits:

EXHIBIT "1"

Exhibit "1" shows the tentative valuation or reproduction cost, less depreciation of the physical property of the Chicago Great Western Railroad Company on June 30, 1916, as reported by the Valuation Department of the Interstate Commerce Commission in its land report and engineering report covering the Carrier's physical property. The exhibit shows the total reproduction cost, less depreciation, as of June 30, 1916, of all physical property exclusive of assessments and materials and supplies for both the system and proportioned to the State of Iowa. The total cost of reproduction of physical property owned or used for carrier purposes in Iowa, exclusive of assessments and materials and supplies, on June 30, 1916, was \$36,820,767.

EXHIBIT "2"

This exhibit shows the total investment in road and equipment by the Chicago Great Western Railroad Company for additions and betterments for the period beginning June 30, 1916, and ending December 31, 1921, for both the whole system and proportioned to Iowa. The exhibit shows that there is proportioned to Iowa \$4,403,887.78 for additions and betterments during that period.

[fol. 422] Exhibit "3" shows the total reproduction cost, less depreciation, of all physical property used or owned for carrier purposes in the State of Iowa, exclusive of assessments and materials and supplies on hand on December 31, 1921; such final value proportioned to Iowa is \$41,224,654. The exhibit shows the total assessed value for the property of the Chicago Great Western Railroad Company in Iowa by the Executive Council of the State of Iowa for the year ending December 31, 1921, to be \$22,306,104. The exhibit shows that this assessed value by the Executive Council is 54.1% of the value of the total physical property in Iowa.

Further than this the exhibits are self-explanatory.

Wherefore; Affiant states that the final value of the physical property of the Chicago Great Western Railroad Company in Iowa, used

and useful for carrier purposes as determined from an examination of the authorities cited in Exhibits "1," "2" and "3," and by the exhibits themselves, on December 31, 1921, is \$41,224,654.

(Sgd.) C. B. Ellis.

Subscribed and sworn to before me by the said C. B. Ellis this 23rd day of October, 1922. (Sgd.) Winogene Hobbs,
Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 423]

EXHIBIT "1" TO ELLIS AFFIDAVIT

Chicago Great Western Railroad Company

*Reproduction Cost Less Depreciation of the Physical Property of the
C. G. W. R. R. Co. on June 30, 1916, as Reported by the Valua-
tion Department of the Interstate Commerce Commission*

For System and for Iowa

(1) Total reproduction cost less depreciation, of carrier property of whole system owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and Materials and Supplies, as of June 30, 1916: (Page 15, Engineering Report)	\$54,065,078
(2) Total reproduction cost less depreciation of carrier property distributed to Iowa owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and Materials and Supplies, as of June 30, 1916: (Page 17, Engineering Report)	23,780,958
(3) Total reproduction cost less depreciation of carrier property of whole system, not distributed to states, owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and Materials and Supplies, as of June 30, 1916: (Page 17-c, Engineering Report)	10,047,231
(4) Total property distributed, all less unallocated—total allocated for system (\$54,065,078 less \$10,047,231) except accts. 2, 39, and Material and Supplies. Paragraph (1) less paragraph (3)	44,017,847
(5) Percentage of total distributed property in Iowa to total distributed property of system (2) plus (4)	54%
(6) Amount of total undistributed property allocated to Iowa (54% of \$10,047,231) 54% of (3)	5,425,504
(7) Total property distributed and allocated to Iowa, of carrier property owned or used, exclusive of Land (acct. 2), Assessments (acct. 39), and materials and supplies, as of June 30, 1916. (2) plus (6)	29,206,462

Reproduction Cost Less Depreciation.—Continued.

- (8) Total Land value for entire system (including excess cost of acquisition plus incidental expenses): (Classes 1; 2-1; 2-2 Land Report) . . . 20,928,709
 Compiled from pages II, III, IV Summary of Land Report.
- (9) Total Land Value for Iowa (including excess cost of acquisition plus incidental expenses). (Classes 1; 2-1; 2-2 Land Report) . . . 7,614,305
 Compiled from pages I, III, IV, Summary of Land Report.
- (10) Total Land Value for System, including excess cost of acquisition plus incidental expenses, Public Domain and private lands. (Classes 1; 2-1; 2-2; 4, Schedule 1-A; 2-1-A; 1-B Land Report) . . . 21,913,789
 See (8). Pages IV-C, G, W., P. II (M. C. & F. D.) P. I. (M. M. & P.) Page V—Summary, P. VI—Summary.
- [fol. 424]
- (11) Total Land Value for Iowa, including excess cost of acquisition plus incidental expenses, Public Domain and private lands. (Classes 1; 2-1; 2-2, Schedule 1-A; 2-1-A; Land Report) . . . 7,640,573
 Page I, Summary; Page III, Summary; Page IV, Summary; Page V—Page VI.
- (12) Total carrier property for entire system owned or used exclusive of Assessments (acct. 39) and Materials and Supplies, as of June 30, 1916. (1) plus (8). (\$54,065,078 plus \$20,928,709) . . . 74,993,787
- (13) Total carrier property for Iowa, owned or used exclusive of Assessments (acct. 39) and Materials and Supplies, as of June 30, 1916. (7) plus (9). (\$29,206,462 plus \$7,614,305) . . . 36,820,767
- (14) Per cent of property in Iowa to total property of system, exclusive of Assessments (acct. 39) and Materials and Supplies, as of June 30, 1916. (13) divided by (12) . . . 49%

NOTE.—Figures taken and computed from Land Report and Engineering Report to the Governor of Iowa by the Bureau of Valuation of the Interstate Commerce Commission.

Inventory as of June 30, 1916.

[fol. 424¹/₂] EXHIBIT "2" TO ELLIS AFFIDAVIT

Chicago Great Western Railroad Company

Total Investment in Road and Equipment for Additions and Betterments from June 30, 1916, to December 31, 1921

For System and for Iowa

1. Total Investment in Road, Equipment and General Expenditures from June 30, 1914, to December 31, 1921, as reported by road to Executive Council in Add. Report filed July 25, 1922 \$12,601,128.87
(See page 11, Additional Annual Report for year ending December 31, 1921 to Executive Council.)
2. Total amount of Expenditures for Road, Equipment and General Expenditures for years ending June 30, 1915 and 1916, as reported by the company to the Iowa Railroad Commissioners 1,640,731.20
(Page 203 of the annual reports to Iowa Board of Railroad Commissioners.)
3. Total investment in Road and Equipment from June 30, 1916 to December 31, 1921, (1) less (2) 10,960,397.67
4. Total investment from June 30, 1916 to December 31, 1921, less 18% depreciation (82% of (3) 8,987,526.09
5. Allocated to Iowa (1916 to 1921) per cent 49 plus 4,403,887.78

[fol. 425] EXHIBIT "3" TO ELLIS AFFIDAVIT

Chicago Great Western Railroad Company

Value of Physical Property in Iowa on December 31, 1921

- a. Total carrier property in and for Iowa, owned or used, exclusive of Assessments (Acct. 39) and Materials and Supplies, as of June 30, 1916, (Authority—Valuation Report, I. C. C.) \$36,820,767
- b. Total carrier property allocated and distributed to Iowa by per cent (49 plus per cent) for years June 30, 1916, to Dec. 31, 1921 4,403,887

Value of Physical Property.—Continued.

c. Total allocated and distributed carrier property in — for Iowa, exclusive of Assessments (Acct. 39) and Materials and Supplies, as of Dec. 31, 1921. (a) plus (b)	41,224,654
d. Total value assessed by Executive Council for car- rier property in Iowa, July, 1922, for year ending Dec. 31, 1921	22,306,104
e. Per cent of Assessment by Executive Council, to total allocated and distributed carrier property in Iowa, exclusive of assessments (Acct. 39) and Materials and Supplies, for year ending Dec. 31, 1921	54.1 plus %

Authority: Valuation Report of Interstate Commerce Com-
mission, Additional Annual Report to 1921 by carrier to
Executive Council of Iowa. Annual Reports by carrier to
the Board of Railroad Commissioners of Iowa.

[fol. 426] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION

No. 4196. Equity

CHICAGO GREAT WESTERN RAILROAD COMPANY, Complainant,

v.

NATHAN E. KENDALL, Governor of Iowa, et al., Defendants.

EVIDENCE: EXHIBIT O

*Affidavit of Clifford Thorne Concerning the Value of the Property
of Chicago Great Western Railroad Company in the State of
Iowa*

STATE OF ILLINOIS,
Cook County, ss:

I, Clifford Thorne, under oath, depose and state:

1. That I am a resident of Washington, Iowa, and have been a
resident of Iowa for forty-four years; that I served as a member of
the Board of Railroad Commissioners for the State of Iowa from
January 1, 1911, to January 1, 1917, on which date I resigned said
position and since then have been engaged in the general practice
of law, specializing as to railroad and commercial matters; that
in 1912, I served as Chairman of the Committee on Railroad Taxes
and Plans for Ascertaining the Fair Valuation of Railroad Property

of the National Association of Railway Commissioners. In such capacity, our Committee conducted a survey of the methods used in the various cities and states of the nation in the valuation of railroad property; that subsequent to said date, I have concentrated much of my time and attention on the examination of railroad accounting, financial and operating conditions, in the State of Iowa, and elsewhere.

2. That the State of Iowa has not made a physical appraisal of the railroad property within said state as has been done by many other states, but that Iowa has been relieved of this expense in the present proceeding by reason of the extended investigations made under the jurisdiction of the Interstate Commerce Commission and [fol. 427] by the admissions of the railroad company itself in official reports and published statements.

3. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the Annual Reports of the Chicago Great Western Railroad Co. (which will be hereinafter referred to as the Great Western Company) to its stockholders, to the Executive Council of the State of Iowa, and to the Board of Railroad Commissioners for the State of Iowa; that I have had prepared under my personal direction and supervision exhibits, A to I, inclusive, which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the property of the said Great Western Company for taxation purposes within the State of Iowa, and that said affiant has no facts to present concerning the physical valuation of the property of said company, except as shown on the aforesaid records and official reports as interpreted under prevailing accounting systems.

4. That affiant believes that a value for taxation purposes should include the value of franchise and other intangible property which (aside from a relatively small allowance for going value representing actual expenditures incurred) is excluded in the valuation for rate making purposes; that he has constructed this series of exhibits in such manner as to show the value of these non-physical properties as well as the value of the physical property.

5. The following is a brief outline of the above-described exhibits:

Part I

Physical Property

EXHIBIT A

Net Income

This presents a review of the financial operations of the Great Western Company from 1912 to 1921 inclusive. There is only one

[fol. 428] phase of this exhibit upon which there will probably be radical diversions between the presentation offered by the Great Western Co. and by the State. Said Great Western Co. has claimed in its reports to the Board of Railroad Commissioners for the State of Iowa that in the year 1919, there was an actual deficit from operation with similar depleted revenues in 1918 and 1920; whereas, our exhibit shows for the year 1919, a net railway operating income amounting to more than \$2,000,000. This occurs because the Great Western Co. fails to include the guaranteed income from the Government.

EXHIBIT B

Investment in Road and Equipment

This table shows the alleged investment in road and equipment as carried in the sworn reports of the Great Western Co. to the Railway Commissioners of Iowa, the Interstate Commerce Commission and also as presented in their annual reports to their stockholders during the past ten years. In this total there is no allowance for working capital or materials and supplies, or franchise values or other intangible values. It shows a total for Iowa of \$67,851,687.

EXHIBIT C

Appraisal by Interstate Commerce Commission in Ex Parte 74

This exhibit presents an appraisal of the physical property of the Great Western Co. based upon the tentative values made by the Interstate Commerce Commission for 1920 in the proceeding known as Ex Parte 74. This appraisal was made upon the basis of figures submitted by the Great Western Company. The same appraisal was subsequently adopted by the Commission in the Spring of 1922 in the case known as Docket 13293. This exhibit shows a total apportioned to Iowa of \$61,796,350.

EXHIBIT D

Physical Values

*Great Western**

This exhibit presents the appraisal of the Rock Island property by the Department of the Bureau of Valuation of the Interstate Commerce Commission. The total value of the physical property within the State of Iowa, of the Chicago Great Western Railroad, is shown to be \$39,326,369. This contains no allowance for franchise or intangible values.

[*In pencil in copy.]

[fol. 430]

Value of the Property of the Chicago Great Western Railroad Company for Taxation Purposes With

Part I

Value of Physical Property

[fol. 431]

EXHIBIT "A" TO THORNE'S AFFIDAVIT

Sheet 1

Chicago Great Western Railroad Company

(Including Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Ra

	1912	1913	1914	1915	1916	19
Total Operating Income.....	\$2,380,788	\$3,146,192	\$2,927,341	\$2,889,931	\$4,292,013	\$3,14
± Net Railway Operating Income (Allowing for net debit or credit of Joint Facility Rents and Hire of Equipment).....	\$1,941,378	\$2,091,713	\$1,871,242	\$2,259,303	\$3,779,584	\$2,8
Tax Accruals.....	406,466	439,186	498,764	580,026	578,605	71
*Net Property Income.....	1,447,844	2,530,899	2,370,006	2,839,329	4,358,189	3,5

Average Net Property Income

System average for—	Ten years, 1912-1921	Six ye
Apportioned to State of Iowa On basis of	\$2,817,974.00	\$3,1
A	\$1,462,246.71	\$1,6
B	\$1,337,974.00	\$1,5
C	\$1,492,399.03	\$1,6
D	\$1,420,276.41	\$1,6
Average of four.....	\$1,430,474.05	\$1,6
Net Property Income—Entire Line—1921.....	\$1,712,619.00	
Apportioned to Iowa (Average of A, B, C, D., 1921).....	869,368.22	

Apportioned to State of Iowa: Iowa compared to system—A is in accordance with miles of road operated; B is in accordance with all tracks o and D is in accordance with transportation car miles.

± Net Railway Operating Income, as defined in accounting rules, for the years 1918, 1919 and 1920 are not given, because in lieu thereof we use the Governm 1919 and the first two months of 1920, together with the Government guaranty from March 1 to Sept. 1, 1920. The figures opposite "Net Railway Operating Incor less tax accruals.

* "Net Property Income" is used in these tables as equivalent to the net railway operating income without deducting taxes. Attention is called to the fact the purpose of the government guaranty computations. Attention is also called to the fact that the Commission has never classed taxes as an operating expe fusion with other terms currently used.

erty of the Chicago Great Western Railroad Company for Taxation Purposes Within the State of Iowa

Part I

Value of Physical Property

EXHIBIT "A" TO THORNE'S AFFIDAVIT

Sheet 1

Chicago Great Western Railroad Company

ing Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Railroad)

	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921
.....	\$2,380,788	\$3,146,192	\$2,927,341	\$2,889,931	\$4,292,013	\$3,146,192	\$530,190	\$1,939,215	\$3,394,051	\$2,382,085
or credit										
.....	\$1,041,378	\$2,091,713	\$1,871,242	\$2,259,303	\$3,779,584	\$2,816,222	\$2,190,358	\$2,154,860	\$2,486,950	\$812,681
.....	406,466	439,186	498,764	580,026	578,605	719,465	763,092	798,590	991,316	899,938
.....	1,447,844	2,530,899	2,370,006	2,839,329	4,358,189	3,535,687	2,953,450	2,953,450	3,478,268	1,712,619

Average Net Property Income

range for—	Ten years, 1912-1921	Six years, 1916-1921
State of Iowa	\$2,817,974.00	\$3,165,277.00
sis of		
.....	\$1,462,246.71	\$1,642,462.24
.....	\$1,337,974.00	\$1,502,873.52
.....	\$1,492,399.03	\$1,676,330.70
.....	\$1,420,276.41	\$1,605,428.49
.....	\$1,430,474.05	\$1,606,773.73
erty Income—Entire Line—1921.....	\$1,712,619.00	
ned to Iowa (Average of A, B, C, D, 1921).....	869,368.22	

A is in accordance with miles of road operated; B is in accordance with all tracks operated; C is in accordance with transportation train miles;

for the years 1918, 1919 and 1920 are not given, because in lieu thereof we use the Government "just compensation" paid for the use of railroad property in 1918, & guaranty from March 1 to Sept. 1, 1920. The figures opposite "Net Railway Operating Income" for this period represents the total received from the Government.

the net railway operating income without deducting taxes. Attention is called to the fact that Congress required the operating income to be so computed for & is also called to the fact that the Commission has never classed taxes as an operating expense. We have coined the phrase here stated in order to avoid con-

EXHIBIT "B" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad

(Including Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Railroad)

Value of Physical Property as Evidenced by the Investment in Road and Equipment According to the Annual Reports of the Interstate Commerce Commission for the State of Iowa, the Chicago Great Western Railroad

Investment in Road and Equipment

	1912	1913	1914	1915	1916	1917	1918
	*	*	*	*	*	±	±
	\$125,968,836	\$126,692,887	\$128,322,306	\$128,970,258	\$129,995,194	\$130,234,824	\$130,817,367
Apportioned to State of Iowa:							
Basis							
(A)	\$65,604,569.79	\$65,981,655.55	\$66,830,256.96	\$70,159,820.32	\$67,454,506.17	\$67,578,850.17	\$67,881,131.74
(B)	62,518,333.31	62,763,656.22	63,596,534.85	63,659,719.35	61,851,713.31	62,167,128.46	62,203,658.00
(C)	65,176,275.75	65,690,261.91	66,932,914.81	68,947,499.93	69,651,422.95	69,415,161.19	69,307,041.04
(D)	61,283,838.71	63,055,049.86	64,661,609.99	64,949,421.93	66,076,557.11	66,237,431.49	67,279,371.85
Total	\$254,583,017.56	\$257,490,623.54	\$262,021,316.61	\$267,716,461.56	\$265,034,199.54	\$265,418,571.31	\$266,671,202.63
Average	\$63,645,754.39	\$64,372,655.89	\$65,505,329.15	\$66,929,115.30	\$66,258,549.89	\$66,354,642.83	\$66,667,800.66
Percentage:							
Basis							
(A)	52.08	52.08	52.08	54.40	51.89	51.89	51.89
(B)	49.63	49.54	49.56	49.36	47.58	47.75	47.55
(C)	51.74	51.85	52.16	53.46	53.58	53.30	52.98
(D)	48.65	49.77	50.39	50.36	50.83	50.86	51.43

Entire Line—Value Physical Property 1921—\$178,904,201. Less accrued depreciation \$177,451,500.00.

Iowa Portion—Average for ten years 1912-1921..... 66,442,763.04.

These computations include no allowances for working capital or materials and supplies, and no allowances for going value, franchises or other interests.

Method of allocation to State of Iowa: A—Miles of line operated; B—Miles of track operated; C—Transportation train miles; D—Transportation equipment.

1921 Physical Value in Iowa, apportioned on Bases A, B, C, and D—\$67,854,687.05.

*Authority—Annual Report, Statistics of Railways in U. S. by I. C. C. for respective years.

±Authority—Annual Reports of Iowa Railroad Commission for respective years.

**Authority—Annual Report by C. G. W. to Iowa R. R. Comm. for year 1921, including Investment in Road and Equipment figure for the M. C. & Ft. D. and W. M. & R. R. Commission.

EXHIBIT "B" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad

(Including Mason City & Fort Dodge Railroad and Wisconsin, Minnesota & Pacific Railroad)

Investment in Road and Equipment According to the Annual Reports of the Interstate Commerce Commission, the Board of Railroad Commissioners of the State of Iowa, the Chicago Great Western Railroad

Investment in Road and Equipment

4	1915	1916	1917	1918	1919	1920	1921
	*	*	=	#	=	**	**
22,306	\$128,970,258	\$129,995,194	\$130,234,824	\$130,817,367	\$131,269,305	\$138,994,678	\$133,670,893
30,256.96	\$70,159,820.32	\$67,454,506.17	\$67,578,850.17	\$67,881,131.74	\$68,115,642.36	\$72,124,338.41	\$69,361,826.34
16,534.85	63,659,719.35	61,851,713.31	62,167,128.46	62,203,658.00	62,379,173.74	65,994,673.11	63,466,940.00
32,914.81	68,947,499.93	69,651,422.95	69,415,161.19	69,307,041.04	69,034,527.50	72,958,306.48	70,792,104.93
31,609.99	64,949,421.93	66,076,557.11	66,237,431.49	67,279,371.85	66,251,618.23	70,498,100.68	67,797,876.93
21,316.61	\$267,716,461.56	\$265,034,199.54	\$265,418,571.31	\$266,671,202.63	\$265,780,961.83	\$281,575,418.68	\$271,418,748.20
15,329.15	\$66,929,115.30	\$66,258,549.89	\$66,354,642.83	\$66,667,800.66	\$66,445,240.46	\$70,393,854.67	\$67,854,687.05
52.08	51.40	51.89	51.89	51.89	51.89	51.89	51.89
49.56	49.36	47.58	47.75	47.55	47.52	47.48	47.48
52.16	53.46	53.58	53.30	52.98	52.59	52.49	52.96
50.39	50.36	50.83	50.86	51.43	50.47	50.72	50.72

201. Less accrued depreciation \$177,451,500.00.

66,442,763.04.

Capital or materials and supplies, and no allowances for going value, franchises or other non-physical values.

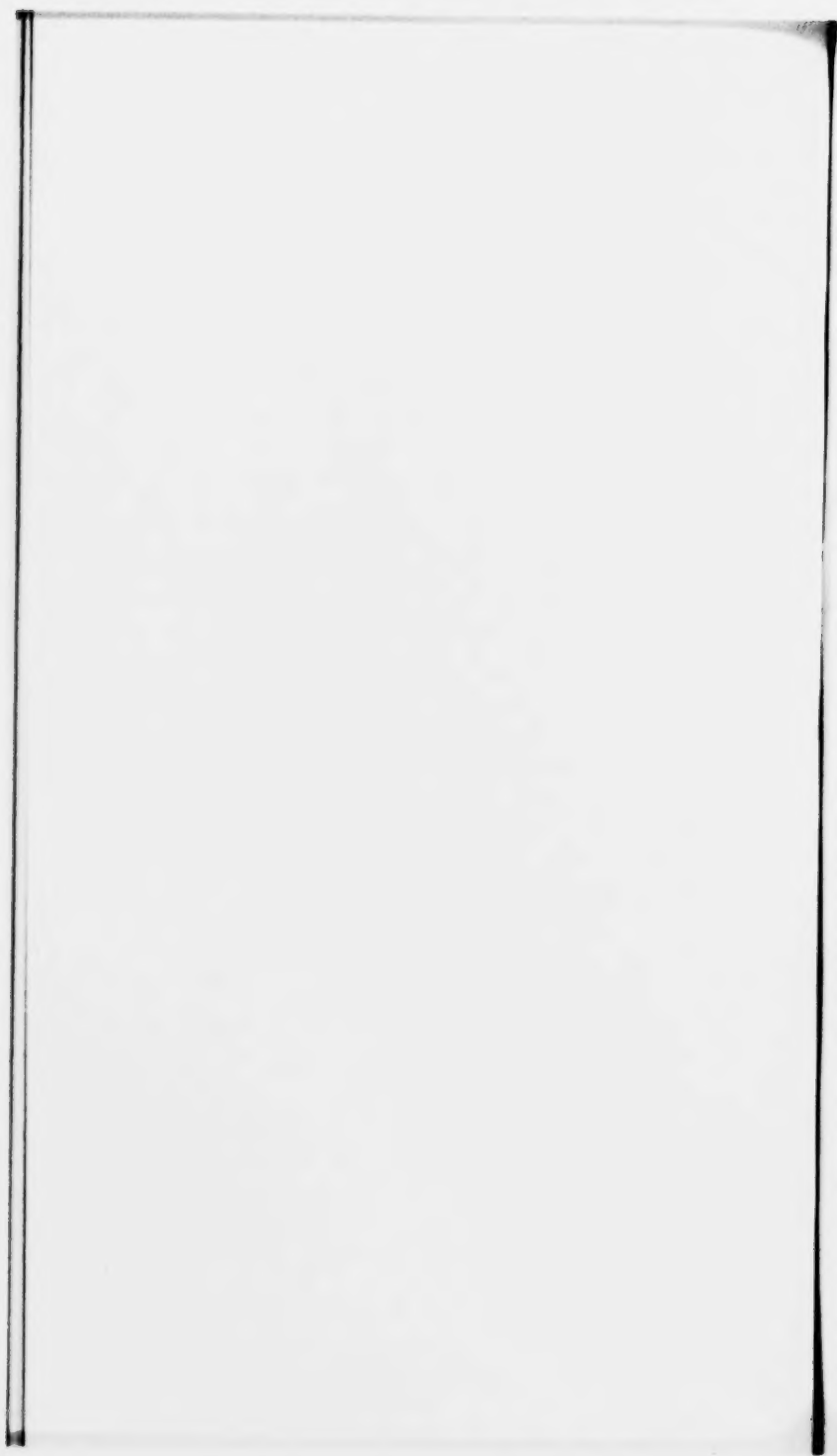
operated; B—Miles of track operated; C—Transportation train miles; D—Transportation car miles.

3. C. and D—\$67,854,687.05.

L. C. C. for respective years.

Respective years.

For year 1921, including Investment in Road and Equipment figure for the M. C. & Ft. D. and W. M. & P. Railroad Companies as shown by the 1920 Report of the Iowa



[fol. 429]

EXHIBIT E

Michigan Method

This exhibit is the outline of the Michigan method of appraisal of non-physical values.

Summary

In Exhibits F to H inclusive, we present a summary showing the total value of the property of the Great Western Co. as previously outlined. These exhibits are self explanatory.

Exhibit I is a comparative statement showing the assessed value of the property of the Great Western Co. in the past seven years compared to the increases in their earnings and property value.

Wherefore: Affiant states that the values of the physical property of the Great Western Company within the State of Iowa, as claimed by that company in various proceedings before, and reports to the Executive Council of the State of Iowa, the Board of Railroad Commissioners of the State of Iowa, & the Interstate Commerce Commission, varies from \$39,000,000 to \$67,000,000.

(Signed) Clifford Thorne.

Subscribed and sworn to before me by the said Clifford Thorne this 13th day of October, 1922. (Signed) W. R. Matheny, Notary Public in and for Cook County, State of Illinois. My commission expires January 5, 1925. [Seal.]

(Here follow tables marked side folio pages 430, 431, and 432.)

[fol. 433] There is some confusion in the published reports of the various commissions concerning the investment accounts of the Chicago Great Western Railroad Company. However this is not of sufficient magnitude to vary the figures 10%. Beginning with 1917, the reports of the Interstate Commerce Commission do not give the property accounts of the two subsidiary companies—Mason City & Fort Dodge, and the Wis. Minn. & Pacific. In the reports of the Iowa Railroad Commission a foot note is carried in some years and omitted in others that the investment in road and equipment given includes the cost of certain securities. For the year 1921 the company reported to the Iowa Railroad Commission a total investment in road and equipment of \$121,567,232.84; for the same year the company reported to the Executive Council a total investment in road and equipment aggregating \$166,512,044.94, with a notation in the margin that this figure includes undetermined values of par amount of \$19,205,400.00 common, and \$13,635,752.00 preferred capital stock of Mason City & Fort Dodge R. R. Co., all of which is owned by the C. G. W. R. R. Co. It is difficult to reconcile these

various figures. Deducting the par of the securities named, would still fail to produce the total recorded to the Iowa Commission. In certain instances one of the subsidiaries is included, and in others it is not included.

Because of the complications involved we consulted the Comptroller of the C. G. W. R. R. Co., and we were advised that if we would take the published reports of the Iowa Railroad Commission and use the total investment in road and equipment for the companies—the C. G. W. R. R., the M. C. & F. D. R. R., and W. M. & P. R. R. added together, and then subtract the par of the securities stated in the foot note, we would have the net amount, so far as it could be secured, representing the investment in road and equipment of the C. G. W. System, corresponding to the operating statistics which were consolidated for the System.

We have adopted this method for these computations. However, we are confronted with this difficulty. The foot note referred to occurs in some of the published volumes and does not occur in others. We assume that the foot note applies to each year, otherwise the results would be wholly inconsistent. We have used the Iowa Railroad Commission reports for the years 1912 to 1920 inclusive. For the year 1921 we have used the figure filed with the Executive Council, and deducted the par of the securities stated in the foot note of said report. The cost of these securities would be the correct figure to deduct, but we are informed it is impossible to secure that item from the records of the company. A correct statement of that cost might show a very nominal deduction. A further fact bearing upon this is itemization of the investment figures presented to the Executive Council which produce a larger total. With the above qualifications we offer this table compiled from the sworn reports of the carrier.

[fol. 434] NOTES.—At foot of Exhibit "B" to Thorne's Affidavit (side folio 432).

[fol. 435] EXHIBIT C TO THORNE'S AFFIDAVIT

The Chicago Great Western Railroad Company

Value of Physical Property as Evidenced by the Tentative Valuation in ex Parte 74 (1920) and in Docket 13293 (1922) Made by the Interstate Commerce Commission

In each case the valuation fixed by the Commission was below that claimed by the Railway Company.

Property Investment of C. G. W. R. R. Co. shown in Ex Parte 74, before Interstate Commerce Commission		\$136,004,997
Deducting Leavenworth Terminal (operations not included in reports)		1,275,955
Property Investment—C. G. W. R. R.		\$134,729,042

(Authority Ex. No. 1, page 9, offered by the Western Carriers in Ex Parte 74, 58 I. C. C., 220)

The above figure includes claims for materials and supplies. The Interstate Commerce Commission reduced the property investment claims of the western carriers by 9.64%. Applying this percentage, we have for the C. R. I. & P. R. R. Co. \$121,740,163

The Commission adopted the same figures as to value in their findings in the General Rate Case, Docket 13293, 68 I. C. C. 676, in 1922.

The figure \$121,740,163 represents the value of the physical property of the C. G. W. R. R., as claimed by the Railroad itself, subject to a reduction made, under protest of the railroad, by the Interstate Commerce Commission in 1920, and confirmed by the Commission in the later case decided in 1922.

Apportionment to the State of Iowa

In accordance with Miles of Line Operated in 1921 (51.89%)	\$63,170,970.58
In accordance with miles of all tracks operated in 1921 (47.48%)	57,802,229.39
In accordance with transportation train miles in 1921 (52.96%)	64,473,590.32
In accordance with transportation car miles in 1921 (50.72%)	61,746,610.67
Average	<u>\$61,798,350.24</u>

[fol. 436] (NOTE.—Gross revenue was repudiated by the Supreme Court in the Minnesota and Missouri Rate Cases, reported in 230 U. S. reports, as a basis of apportionment for rate making purposes. However, the apportionment in Minnesota for taxation purposes has continued without contest, to be on the gross revenue basis, up to the present time. This basis was selected as the best method by the Hon. B. H. Moyer, of Wisconsin—subsequently appointed to the Interstate Commerce Commission—in his monograph on Methods for the Distribution of Railway Values Among States, published in Bulletin No. 21 of the Bureau of Census, Department of Commerce and Labor, entitled "Commercial Valuation of Railway Property in the United States." Furthermore the Iowa Statute makes frequent reference to the use of gross revenue in connection with the valuation of Iowa railroads for taxation purposes.)

[fol. 437] EXHIBIT "D" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Value of Physical Property as Evidenced by the Appraisal by the Bureau of Valuation of the Interstate Commerce Commission under the Valuation Act

The Land Report and the Engineering Report of the Bureau of Valuation of the Interstate Commerce Commission, inventory as of June 30, 1916, shows the following: total cost of reproduction, less depreciation, of all the physical property of the C. G. W. R. R. except land, materials and supplies and assessments, amounting to \$54,065,078; and a total present value of the carrier land as of June 30, 1916, amounting to \$10,819,279; making a total of \$64,884,357. The C. G. W. R. R. in its additional report to the Executive Council for the State of Iowa for the year ending December 31, 1921, showed a total value of working capital and materials and supplies amounting to \$4,271,490. The same report shows a total investment in road and equipment from June 30, 1914, to Dec. 31, 1921, of \$12,601,128. The reports of the same company to the Board of Railroad Commissions for the State of Iowa for the year ending June 30, 1915, and 1916, show a total amount of expenditures for road and equipment for those years of \$1,640,731. Consolidating these figures including the value of the land as of 1916, the cost of reproducing the physical property plus additions to property (subject to an 18% depreciation allowance), we have a total physical value of the C. G. W. system amounting to.....

\$78,143,373

The property apportioned to the State of Iowa is as follows:

Total reproduction cost, less depreciation, distributed to Iowa, less land, assessments, and materials and supplies on June 30, 1916.....	23,780,958
Total carrier land value for Iowa.....	3,490,399
The unallocated property, apportioned on the ratio of the property specifically distributed.....	5,425,504
Investment in road and equipment from June 30, 1916, to Dec. 31, 1921 apportioned to Iowa (on ratio of the distributed property in Iowa to the system in 1916)	4,493,763
Working capital and materials and supplies, apportioned to Iowa on basis just described.....	2,135,745
Total property in Iowa	<hr/> \$39,326,369

Comparative Table Showing the Increase or Decrease in the Assessments by the Executive Council, the Gross Earnings and the Physical Values, for Both the System and the State of Iowa for the Years 1915 to 1921, Inclusive

Year	Assessment by executive council	Gross earnings		Physical value of investment in road and equipment, \$ system
		System	Iowa	
1915	\$23,075,280.00	\$1,219,512.12	\$1,122,950.71	\$128,970,258
1916	23,075,280.00	1,4067,345	8,217,657.04	129,995,194
1917	23,075,280.00	16,368,323	8,443,506.00	130,234,824
1918	23,075,280.00	19,116,025	9,787,791.00	130,817,367
1919	23,075,280.00	22,128,189	11,269,598.35	131,269,305
1920	23,075,280.00	24,032,435	12,383,315.00	138,994,678
1921	23,075,280.00	24,228,611	.....	133,670,895

A. Accounting term for "Gross Earnings" is total operating revenues.

The assessments are shown during the year when made; they are based on the values of the preceding year.

Authorities: The assessments by the Executive Council are from the Reports of the Executive Council; the Gross Earnings of the system are from the Statistical Reports of the Interstate Commerce Commission for the respective years; the gross earnings for Iowa are from the Annual Reports of the Board of Railroad Commissioners of Iowa, for the respective years; the physical values for the system are from Exhibit "B," Sheet one.

Franchise and Other Intangible Values

Explanatory Statement

The Chicago, Rock Island & Pacific Company in its brief before the Interstate Commerce Commission, in Valuation Docket No. 152, protests against the inadequacy of the valuation of those properties tentatively made by the Commission, and sets up as one of its grounds, the following:

"That the reported cost of reproduction new of their respective properties is inadequate in that it is limited to an estimate of the alleged costs of the bare, undeveloped physical property; whereas the Carriers were on valuation date developed and organized transportation agencies with an established business, where physical properties were developed and adapted to the use to which they are devoted, to a greater extent than existed at the time when their original construction was completed. That costs are omitted which are naturally and inevitably incurred, and which were actually incurred by the respective Carriers, and which are in excess of and in addition to the engineering costs estimated for the physical property. That new railroads are operated at a deficit for a considerable period of time before traffic is built up and before maintenance and operating difficulties are overcome. In a normal program of reproduction this 'development period' must be allowed for, and these development costs included. That on account of such omitted costs of reproduction, the properties of the Carriers at the same actually existed on valuation date in a developed physical condition and with a developing business, there should be added to the reproduction costs for the specific accounts Nos. 1 to 77 inclusive, a sum not less than \$30,000,000. Inasmuch as the respective Carriers compose a single operating system, said cost is not apportioned among them."

Other claims are presented, aggregating in all almost \$200,000,000 in excess of what the Bureau of Valuation of the Interstate Commerce Commission has adopted for the valuation of the Rock Island Lines. This presentation will have to do with only a part of these claims of the Rock Island Company.

The term "Going Value," non physical value, intangible value, development cost, the value of an organized business, franchise value, etc. have been used in many appraisals and represent something of real worth to the owners of any established business. The reasons for including a portion only of what we ordinarily consider to be going value, and the reasons for excluding franchise value entirely in an appraisal for rate-making purposes, although it is eminently proper and fair to include franchise values in an appraisal for taxation purposes of a public utility or railroad, are all matters to be discussed in the briefs. We are here concerned only with a presentation of certain facts bearing upon an appraisal for taxation purposes.

[fol. 440] Various methods have been proposed for determining the non-physical value of a going enterprise which is not represented in the "bare bones" of the physical property by itself. This value must be determined at best by some arbitrary method, but the value is real nevertheless. A man selling a store or a factory in successful operation demands and ordinarily receives something more than the value of the physical property; this amount must be estimated and approximated; it is not tangible or physical, but it is very real and genuine in all business affairs.

I shall attempt to present a fair method for the determination of the franchise and other non-physical values of the railroads here involved. We shall present an outline of the methods used in various appraisals and shall apply one or more of these to the facts at issue in this proceeding.

Methods of Determining Franchise and Other Intangible Values

The Michigan Method

Exhibit E

Henry C. Adams, for twenty-four years chief statistician for the Interstate Commerce Commission was employed by the State of Michigan in 1901 in connection with their appraisals of Michigan railroads for taxation purposes. The basic policies and principles adopted by him at that time have been subsequently followed, with modifications as to details, in numerous other appraisals.

Exhibit E gives a complete copy of the communication to the Michigan Board of State Tax Commissioners, on March 27, 1901. In this communication Mr. Adams outlines in detail the method pursued by him. Attached to this letter is the form of compilation used by Mr. Adams.

In 1910, Mr. Adams appraised the franchise values of the United Railways of Detroit, using the same basic method as to capitalization of surplus, previously described. This work was done under the supervision of a Committee of Fifty. The result showed an intangible value equal to twenty-five per cent of the physical value. Another computation was made by Mr. Adams assuming for certain specified reasons, an increase in the gross earnings of the plant which showed the intangible value to equal thirty-eight per cent of the physical value.

The Bemis Method

Mr. E. W. Bemis, in 1899, appraised the value of the franchise of the street railway in Detroit for a Commission headed by Governor H. S. Pingree, in which the State proposed to authorize the [fol. 441] purchase of these properties by the City of Detroit. The method he adopted at this earlier date conforms to the principles subsequently adopted by Henry C. Adams for the Board of Tax

Commissioners of the State of Michigan. Mr. Bemis capitalized the net earnings of the property after allowing four per cent interest on the physical value of the plant, amounting to \$8,000,000. In this case the value of the franchise was fixed at \$8,478,563, or approximately 106 per cent of the value of the physical property.

The Wisconsin Method

A method was adopted by the Wisconsin State Railroad Commission for determining the going value or development cost of the property by capitalizing the past deficits from operation. For example, the amount by which a company failed to earn a certain percentage on its property was capitalized at a fixed percentage and that value was added to the physical value of the property. This method would make a very large "going value" for the "weak sister." The greater deficits a company had during previous years, the greater would be the value of its property. The poorer a company is, the richer it is—according to this method. We have not used this method. We mention it in passing simply to illustrate one of the methods that have been used in various states.

The Arnold Method

The Chicago Street Railways were appraised by Biron J. Arnold in 1906. Mr. Arnold adopted precisely the same principle as was used by Messrs. Bemis and Adams in the State of Michigan. Mr. Arnold allowed five per cent on the physical value of the plant, deducted this from the net revenue, and capitalized the surplus at five per cent.

Capitalization of Gross Earnings

The State Board of Appraisers in New Jersey at one time fixed the value of railroad property based upon gross earnings. The Supreme Court held in regard to the action of the Board:

"It is quite impossible for the court to say that the result thus reached is in anywise erroneous or excessive."

Commenting upon the action of the Board, the court said:

"That the amount of the capital stock and of the funded debt and other debts of the corporation or person taxable under the act aforesaid should be ascertained, and that the value thereof also be ascertained, and that in all cases where the aggregate amount of the value of the capital stock and of the securities representing said debts was less than the entire amount of the tangible property of such corporation, the value of the franchise should be ascertained by deducting from the aggregate amount of the value of such capital stock and of the securities representing such debts, the aggregate [fol. 442] amount of the value of said tangible property, and sixty

per centum of the amount remaining in each case should be taken and held to be the value of the franchise of such corporation; and that in all cases where the amount of the value of the capital stock and of the securities representing said debts was less than the value of the entire amount of the tangible property of such corporation, the gross earnings of such corporation should be ascertained and that twenty per centum of such gross earnings (being an amount which would make the tax upon the franchise of such corporation a sum equal to one-tenth of one per centum upon such gross earnings) should be taken and held to be the value of such corporation." (— v. —, 20 Vroom L.)

Capitalization of Gross Earnings is a very unsatisfactory guide. We can find the precedent of New Jersey followed in no state in the Union, not even in the State of New Jersey.

Wilcox Method

Mr. Delos F. Wilcox, (a Consulting Franchise and Public Utility Expert of New York City and Deputy Commissioner of the Department of Water Supply, Gas and Electricity), presented a statement entitled "Principles as to Franchise Values" published in the proceedings of the conference on valuation held at Philadelphia, November 10th, 1915. Mr. Wilcox summarized the principles which have been repeatedly approved in the various appraisals of franchises and non-physical properties in the following language:

"While it is much to be desired that the principles of valuation should be made as nearly uniform as possible so as to reduce the existing chaos in valuation matters to a minimum, yet for the present it is impracticable to apply strictly uniform principles to valuations for such widely different purposes as, (1) taxation; (2) rate-making; (3) condemnation; (4) involuntary sale; (5) voluntary purchase; and (6) capitalization. Taking up these several purposes seriatim, we consider the principles as to franchise values, giving due consideration to the character, duration and terminability of the franchise in each case.

"1. Franchise Values for Purposes of Taxation

"It is now well established that it is admissible to tax franchise values whenever and wherever they exist, without reference to the possibility of their being reduced or destroyed in the future, whether by expiration, by regulation of rates and services, by decrease in demand, by increase in expenses, or by other causes. It is to be noted, however, that in establishing a value for taxing purposes, when the tax is first imposed, if the taxing officials assess the franchise at its full market value as untaxed property, the imposition of the tax will automatically reduce this value and thereby reduce the assessment for the succeeding year and thereby reduce again the amount paid in taxes which in turn will have the effect of giving

back a portion of its original value of the franchise. This oscillation can be prevented if the effect of the tax is discounted in advance. [fol. 443] "It may be that a franchise is worth much less than its originally cost, or, indeed, much less than it would cost to reproduce it. Present value for taxing purposes is not to be determined either by actual cost or by assumed reproduction cost. The most widely accepted method of ascertaining franchise values for taxing purposes is the so-called net earnings method. From the gross earnings of the corporation are deducted, first, operating expenses, depreciation and taxes and, second, a fair minimum rate of return upon the value of all the physical property used and useful in rendering the service. Whatever is left represents the earnings of the franchise and, if capitalized, will represent the value of the franchise. Thus, the value of a franchise for taxation purposes is to be determined primarily by its earning power, which in turn, usually is the main factor in establishing its market value."

Arbitrary Percentages

Many tribunals and consulting engineers in valuing properties for purchase and sale have allowed for the franchise value on a blanket percentage basis, varying generally from 25 to 60 per cent.

Rock Island Allowances

In Valuation Docket 152 before the Interstate Commerce Commission, the Chicago, Rock Island & Pacific Railway Company has presented various claims for certain factors in the valuation of its properties, which have been omitted by the Interstate Commerce Commission according to the Rock Island Company.

In that portion of the exhibits filed with this affidavit, dealing with physical values, we have listed certain of these items which seem to be definitely physical in character, such as allowances for bridges, culverts, land, etc.

We here present certain additional claims of the Rock Island for the valuation of its properties which seem to be more non-physical or intangible in character, being arrived at generally by some arbitrary percentage method, rather than by the itemization of units of physical property on hand and definitely located. It is somewhat difficult to differentiate in some cases between the valuation of the physical and the valuation of the non-physical portion of the property belonging to a public service corporation. It is difficult to draw the line between night and day—where one ceases and the other begins, but we will acknowledge there is a difference.

We have listed the items claimed by the Chicago, Rock Island & Pacific Railway Company in our Exhibit; and we have also apportioned these values to the State of Iowa. For the purpose of taxation we concede the existence of these property values belonging to the Chicago, Rock Island & Pacific Railway Company within the State of Iowa.

These specific items we have listed in the said exhibits approximate \$66,128,500 for the Rock Island Lines for the System as a whole (including the C. R. I. & G. and the Morris Terminal). This total sum is composed of the value of organized business, development cost, interest and taxes on land during construction and working [fol. 444] capital, including interest and taxes on land during the construction period. The total is equivalent to approximately 20% of the physical value of the Rock Island Lines as found by the Commission (\$335,538,263—this differs slightly from the total given in the annual report of the C. R. I. & P. Ry. Co. to its stockholders, but is checked from the Commission's records. Occasionally the Railway Company's figures may be used in these exhibits, causing a slight variation).

[fol. 445] EXHIBIT "E" TO THORNE'S AFFIDAVIT

The Michigan Method of Determining Value of Non-Physical Property

Communication from Henry C. Adams Relative to the Michigan Appraisal of Railroad Property Addressed to the Michigan Board of State Tax Commissioners March 27, 1901.

This is copied from a public document, being bulletin 21 of the Bureau of Census of the Department of Commerce and Labor.

Ann Arbor, Mich., March 27, 1901.

To the Michigan Board of State Tax Commissioners,

GENTLEMEN: I have the honor to submit to you my report upon the appraisal of the value of the nonphysical elements of Michigan railways. Ordinarily it would be adequate to state the results of such an appraisal without comment, but in view of the fact that the legislature is called upon to determine whether the ad valorem principle of taxing corporate property is to be substituted for the present method of specific taxation, it seems appropriate that these results be accompanied by such explanation and comment as is necessary to make clear the method which has been followed, to point out the difficulties encountered in the appraisal, and to suggest a few points that should find place in any law providing for the ad valorem taxation of railway property.

In October I presented to your honorable body a statement containing a rule for the appraisal of the nonphysical elements of corporate property. This rule, as also the analysis which accompanied it, received your approval, and is submitted in this connection, slightly modified, partly that it may be made a matter of public record and partly because this is the simplest way of explaining the principles which underlie the present appraisal.

(Letter Containing Rule for Computing Intangible Values of Railway Corporations)

Ann Arbor, October, 1900.

To the Board of State Tax Commissioners, Lansing, Mich.

GENTLEMEN: In reply to your request for a method of valuing the nonphysical element in railway properties, I submit the following:

First. It is understood that the object of the investigation instituted by the Michigan tax commissioners is to determine whether the properties imposed with specific taxes pay, upon their true value, a [fol. 446] rate equal to the rate paid by property taxed under the general tax law. The suggestions here submitted pertain to railways organized as corporations and whose chief business is that of transportation.

Second. It is understood, that, as one step in this investigation, the commission has undertaken to appraise the physical property of the railways (real estate included), and that the request made of me is to formulate a satisfactory rule for appraising the nonphysical or immaterial element in railway corporations.

Third. It is submitted that this nonphysical or immaterial element is not a single commercial element, but includes among other things the following:

1. It includes the franchise—

(a) To be a corporation.

(b) To use public property and employ public authority for corporate ends.

2. It includes the possession of traffic not exposed to competition, as, for example, local traffic.

3. It includes the possession of traffic held by established connections, although exposed to competition, as, for example, through traffic that is secured because the line in question is a link in a through route.

4. It includes the benefit of economies made possible by increased density of traffic.

5. It includes a value on account of the organization and vitality of the industries served by the corporation, as well as of the organization and vitality of the industry which renders the service this value, consequently, is, in part, of the nature of an unearned increment to the corporation.

Fourth. As corroborating the existence of this element of value in all successful corporate enterprises, reference may be made to the following facts:

1. Corporations are frequently bonded for an amount in excess of the value of physical properties less the proceeds of the stock issued.

If traffic, or good will, or franchises, or organization can be made security for the borrowing of money, is it not evident that they possess an established commercial value?

2. It is not uncommon for courts, in placing railway properties in the hands of receivers, to defend their action by the assertion that the step is necessary in order to prevent the disintegration of the property. Is it not a legitimate conclusion from this fact that the courts recognize organization as an element of value?

3. The universal recognition of the necessity of supplementing the general property tax by some special method of taxation in the case of railways is an acknowledgment of the fact that the general property tax by ordinary methods of assessment does not attach itself to the full value of corporate property. The general property tax [fol. 447] worked well when the major portion of property was material and visible; it failed to work well when through the development of corporate enterprises and credit relations, immaterial values came to be relatively significant.

Fifth. Inasmuch as nothing tangible or visible gives support to the value under consideration, it must be determined on the basis of information secured from the current accounts of the corporations. There are two accounts which may be used for this purpose, namely, the general balance sheet and the income account. In the balance sheet will be found a statement of assets and liabilities, giving cost of road and equipment on one side, and the par value of stocks and bonds on the other. For reasons that need not here be stated, these items are not satisfactory for the purpose which this commission has in view. It may be assumed that the appraised value of the physical property of railways (including the right of way) will not coincide with the balance sheet statement of the cost of road and equipment.

The practice adopted by many states of appraising railway property on the basis of the market value of stocks and bonds has something to be said in its favor, but it is not satisfactory. This point, however, need not be argued at the present time, because this commission, by instituting an appraisal of the physical assets of the corporations, has committed itself to a rule inconsistent with the valuation of corporate liabilities.

In discarding the balance sheet as the basis of valuation the commission is forced to accept for this purpose the income account, a conclusion which finds support in the established rules of corporation finance. The task of appraising railway properties undertaken by this commission is akin to, if not identical with, the revaluation of railway securities, should this become necessary for reorganization or for transfer. As stated by Mr. Greene, an authority upon this subject, the holder of railway properties "must accept as a basis for revaluation of his securities the earning power of the company as a carrier of traffic." This "earning power" is undoubtedly the basis of all valuation of corporate properties, and it is the income account from which this earning power can be determined.

Another reason for accepting the income account of railways as a basis for the appraisal of immaterial values is that the rules of banks

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Ann Arbor, October, 1900.

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GENTLEMEN: In reply to your request for a method of valuing the nonphysical element in railway properties, I submit the following:

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Second. It is understood, that, as one step in this investigation, the commission has undertaken to appraise the physical property of the railways (real estate included), and that the request made of me is to formulate a satisfactory rule for appraising the nonphysical or immaterial element in railway corporations.

Third. It is submitted that this nonphysical or immaterial element is not a single commercial element, but includes among other things the following:

1. It includes the franchise—

(a) To be a corporation.

(b) To use public property and employ public authority for corporate ends.

2. It includes the possession of traffic not exposed to competition, as, for example, local traffic.

3. It includes the possession of traffic held by established connections, although exposed to competition, as, for example, through traffic that is secured because the line in question is a link in a through route.

4. It includes the benefit of economies made possible by increased density of traffic.

5. It includes a value on account of the organization and vitality of the industries served by the corporation, as well as of the organization and vitality of the industry which renders the service this value, consequently, is, in part, of the nature of an unearned increment to the corporation.

Fourth. As corroborating the existence of this element of value in all successful corporate enterprises, reference may be made to the following facts:

1. Corporations are frequently bonded for an amount in excess of the value of physical properties less the proceeds of the stock issued.

If traffic, or good will, or franchises, or organization can be made security for the borrowing of money, is it not evident that they possess an established commercial value?

2. It is not uncommon for courts, in placing railway properties in the hands of receivers, to defend their action by the assertion that the step is necessary in order to prevent the disintegration of the property. Is it not a legitimate conclusion from this fact that the courts recognize organization as an element of value?

3. The universal recognition of the necessity of supplementing the general property tax by some special method of taxation in the case of railways is an acknowledgment of the fact that the general property tax by ordinary methods of assessment does not attach itself to the full value of corporate property. The general property tax [fol. 447] worked well when the major portion of property was material and visible; it failed to work well when through the development of corporate enterprises and credit relations, immaterial values came to be relatively significant.

Fifth, Inasmuch as nothing tangible or visible gives support to the value under consideration, it must be determined on the basis of information secured from the current accounts of the corporations. There are two accounts which may be used for this purpose, namely, the general balance sheet and the income account. In the balance sheet will be found a statement of assets and liabilities, giving cost of road and equipment on one side, and the par value of stocks and bonds on the other. For reasons that need not here be stated, these items are not satisfactory for the purpose which this commission has in view. It may be assumed that the appraised value of the physical property of railways (including the right of way) will not coincide with the balance sheet statement of the cost of road and equipment.

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In discarding the balance sheet as the basis of valuation the commission is forced to accept for this purpose the income account, a conclusion which finds support in the established rules of corporation finance. The task of appraising railway properties undertaken by this commission is akin to, if not identical with, the revaluation of railway securities, should this become necessary for reorganization or for transfer. As stated by Mr. Greene, an authority upon this subject, the holder of railway properties "must accept as a basis for revaluation of his securities the earning power of the company as a carrier of traffic." This "earning power" is undoubtedly the basis of all valuation of corporate properties, and it is the income account from which this earning power can be determined.

Another reason for accepting the income account of railways as a basis for the appraisal of immaterial values is that the rules of book-

keeping, so far as this account is concerned, are fairly uniform for all railways. This is especially true so far as it is necessary to make use of the income account for the purpose of this commission. The degree of accuracy attained in this account may be suggested by reference to the official classification of operating expenses adopted and followed by the principal railways of this country, a copy of which is herewith submitted. I also submit in this connection the form of income account prescribed by the Interstate Commerce Commission and followed by the majority of state commissions.

Sixth. The rule submitted for the appraisal of the immaterial values of railway properties, or what I prefer to term the capitalization of corporate organization and business opportunity, is simple, as follows:

1. Begin with gross earnings from operation, deduct therefrom the aggregate of operating expenses, and the remainder may be [fol. 448] termed the "income from operation." To this should be added "income from corporate investments," giving a sum which may be termed "total income," and which represents the amount at the disposal of the corporation for the support of its capital and for the determination of its annual surplus.

2. Deduct from the above amount, that is to say, total income, as an annuity properly chargeable to capital, a certain per cent of the appraised value of the physical properties.

3. From this amount should be deducted taxes, *rents paid for the lease of property operated, provided such property is not covered by the physical valuation made the basis of the annuity referred to under paragraph 2, and permanent improvements charged directly to income. The remainder would represent the surplus which, capitalized at a certain rate of interest, gives the value of immaterial properties.

Seventh. To obviate the criticism that both gross and net earnings vary from year to year, it is suggested that, in place of a single year's income account, the average income account of a period of ten years be accepted as the basis of computation. The reason for accepting a period of ten years is that under existing commercial conditions it is likely that the corporation whose property is appraised would, during that period, pass through years of both prosperity and adversity.

Respectfully submitted, Henry C. Adams.

The nature of the rule presented above may be seen more clearly from the blank form next presented, being the form to which the accounts of each railroad were reduced preparatory to compilation.

*The Michigan system of railway accounts prescribed by the railroad commissioner includes taxes in "operating expenses" and for the purpose of this analysis such inclusion may be accepted.

Form of Compilation

Name of Road: —

Statement Showing Computation of the Value of the Non-physical Elements of the Above-Named Road, Whose Physical Elements Were on November 1, 1900, Officially Appraised at &—.

Average Statement for — Years Ending — —, —

Items	Items	Amounts for entire system	Per mile operated	Amounts apportioned to Michigan
Number of miles operated
Gross income from operation	\$....	\$.....	\$.....	\$.....
Operating expenses, exclusive of taxes
[fol. 449]				
Net income from operation
Net income from investments
Total available corporate income
Annuity deducted for capital at 4 per cent of the mean value of physical elements
Remainder available for other purposes
Further deductions:				
1. Taxes on physical elements at 1 per cent of mean value
2. Rentals on property not covered by appraisal
3. Interest on current liabilities
4. Permanent improvements charged to income
Total further deductions
Surplus
Deficit

Form of Compilation. - Continued.

Items	Items	Amounts for entire system	Per mile operated	Amounts apportioned to Michigan
Capitalization of surplus at 7 per cent, which results in a value of non-physical elements such that it yields a net income of 6 per cent after payment of a tax of 1 per cent.				\$.....

Quite a number of queries suggest themselves, a consideration of which will help to explain somewhat in detail the theory according to which non-physical values are appraised.

First. It will be observed that the earnings made the basis of computation are the average earnings for a period of years. It was endeavored to make this period ten years, but in some cases the reorganization of a road, or some radical change in its industrial character, or the imperfection of its accounts has made it necessary to accept a shorter period. A moment's consideration makes evident the propriety of the substitution of an average income account for a period of years for the actual income account for any particular year. It is as true of railways as of any other industrial property that the commercial estimate of their value should not reflect the violent fluctuations in their gross or net earnings from year to year. Moreover, an efficient board of management will not permit its property to fluctuate in value with the casual fluctuations in earnings, because it will in times of prosperity accumulate a surplus against years of adversity, and by the use of this surplus satisfy the demands for dividends in order to influence the investors' estimate of the property. The rule here adopted conforms to the ordinary rule of appraising for business investments.

From the point of view of the public treasury also, is it possible to frame an argument in favor of accepting the average earnings for a term of years as the basis of computing intangible values. It is evident, as far as this class of values contributes to the general basis of taxation, that it will show marked fluctuations if adjusted each year to the annual earnings of the corporations. The expenditures of the state, however, are fairly uniform from year to year, and the basis of taxation, as also the rate of taxation should present likewise a fair degree of uniformity. It is highly desirable, whether one consider the matter from the point of view of the corporations paying the tax or of the state receiving the tax, that the appraisal of property made the basis of taxation should be as stable as possible, and this can be easily accomplished, so far as the non-physical valuation of railway corporations is concerned, by accepting the average earnings of a period as the basis of computation.

Second. The valuation of physical elements presented by Professor Cooley shows the condition of railway property as it stood on or about

November 1, 1900. It represents the mileage in operation and the equipment employed at that date. In case the history of a particular road during the ten years prior to 1900 shows either an increase or a decrease in mileage, the Cooley appraisal was subjected to an appropriate increase or decrease before computing the annuity to be deducted from average gross earnings for the support of physical capital. This explains why in many cases the annuity deducted does not correspond to 4 per cent of the physical value reported. In the appendix to this report will be found a statement for each road showing in detail the method of applying this rule.

Third. Any method of appraisal might be more or less arbitrary in its application. The arbitrary element in the method used in arriving at the figures contained in this report pertains to the percentage rates chosen: first, for computing the annuity assigned for the support of the physical capital; second, for computing the taxes to be paid by the corporations; and third, for capitalizing what remains of net earnings after the annuity, the taxes, and other legitimate payments incident to the operation of the property are deducted. By referring to the form inserted above it will be observed that the rate per cent selected for computing the annuity is 4 per cent; the rate selected for computing taxes is 4 per cent; while the rate selected for capitalizing the final surplus is 7 per cent. These rates are sufficiently important to warrant a somewhat extended consideration.

1. It must, in the first place, be recognized that the theory of the ad valorem taxation of corporate property implies that the state presents its claim directly to the corporation rather than to the individuals who as bondholders or stockholders are in fact joint proprietors in the property represented by the corporation. From this it follows that in arriving at a rate per cent which represents a reasonable return to investors it must be assumed that this return itself is free from further taxation, except, of course, it be made to contribute in the form of an income tax or by means of consumption taxes. This being the case, the question of the rate which should be allowed on property invested in the physical plant of railways presents itself as follows: What is a fair return upon an assured non-taxable investment? In view of the ruling rates for money at the present time, it is believed that 4 per cent, free from taxation, is fair and equitable. [fol. 451] This, at least, is the commercial judgment of the market, inasmuch as securities of this sort will sell at or above par. It may be remarked in passing that the form in which this report is submitted enables the substitution of any other rate for the one selected should the one quoted be regarded as unfair or unreasonable.

2. It will also be observed from the above form that in addition to an allowance of 4 per cent upon physical capital there is added an allowance of 1 per cent to cover taxes. The question immediately arises why this allowance is made and why the tax rate is placed at 1 per cent.

The answer to the first of these questions is found in the fact that the problem which the commission has undertaken to solve is to de-

termine whether this species of property has paid under the form of specific taxation which it has been subjected to, a rate equal to the rate paid by other property. To this end it is necessary that railway property be appraised upon the assumption that it supports the same incumbrances as other property. A farm, a dwelling house, or a factory is bought and sold under the incumbrance of an annual tax and the price of transfer is determined in view of this fact. Were the annual tax remitted, other things remaining the same, the value of these properties would be increased by an amount equal to the capitalization of the sum remitted. It is, therefore, necessary in order to bring the appraisal of railway property to the same basis as other property for the purpose of comparison, to reduce the value of railway property by the capitalization of the tax incumbrance. This explains why an allowance is made for taxes before arriving at the surplus to be capitalized.

But why place the tax rate at 1 per cent? A 1 per cent tax rate was accepted because it is the average rate paid on the par value of property in Michigan. This conclusion rests upon the assumption that the average rate of taxation is 1.546 and that the average assessment of property is 65 per cent of its par value. It is, of course, clear that 1.546 per cent of 65 per cent of par value is the same thing as 1 per cent of par value. If on further investigation, the percentages upon which this conclusion rests are found to be incorrect, the computation here submitted should be modified accordingly. The significant point is that the form of computation made the basis of this report results in a valuation of railway property free from the incumbrance of taxation. Or, to express this in another way, it brings the valuation of railway property to the same basis as other property. It is therefore, not necessary to reduce the valuation of railway property by 35 per cent on account of undervaluation of general property by local assessors, before making comparison. That adjustment has already been made by the allowance of a 1 per cent tax.

3. It is necessary to consider, next, the rate accepted for capitalizing the final surplus, which capitalization is the value of the non-physical elements of the railway corporation. By referring again to the form presented above, it will be seen that 7 per cent is selected for capitalization, which results in giving a value capable of paying 1 per cent to the state as tax, and 6 per cent clear return to the investor. The reason for allowing 1 per cent for taxes has been stated in the foregoing paragraph. The query which presents itself in this connection pertains to the acceptance of 6 per cent as a proper return upon the valuation of railway property which exists in an intangible form, while 4 per cent is acknowledged to be a proper return upon property which exists in physical form. The reason for this distinction is that the return upon the appraised value of [fol. 452] physical elements is not exposed to the same degree of risk to which the return upon the intangible or franchise valuation is exposed. This consideration brings into view one of the most profound questions of equity that arises in connection with the relation of railways to the Government. A full discussion of this point would manifestly be out of place, but from whatever point of view regarded,

it must be admitted that the trend of judicial opinion in this country is to the effect that neither the legislature nor a railroad commission can reduce railway charges below a point necessary to maintain a fair return upon an equitable valuation. And, while it is true that no Federal court, so far as I am aware, has identified this "fair valuation" with the cost of reproducing the property, thus by inference giving judicial warrant for the expungement of intangible corporate values, it is nevertheless true that these intangible values are exposed to the risk of being reduced by the legislative reduction of railway charges, a risk to which the tangible values of a railway as measured by the cost of reproduction, are not exposed, and to which, under the constitutional safeguards thrown about private property, they can not be exposed. Such, at least, is my explanation for capitalizing the final corporate surplus over and above 5 per cent upon the appraised value of physical elements at 6 per cent rather than at 4 per cent, this latter being the rate allowed upon the physical valuation of the property. Such a conclusion seems to me justified in view of the general fact that a questionable investment demands a higher net return than one which is sure and which runs in perpetuity.

The above defense of 7 per cent as the rate of capitalization rests upon principles which warrant a deviation from this rate. Some roads, as, for example, the Manistee and Northeastern Railroad, are capitalized at 10 per cent instead of 7 per cent, because of the uncertainty of the continuance of the traffic from which they now derive an income; while other roads, as, for example, the Fort Street Union Depot Company, are capitalized at 5 per cent (or 4 per cent if payment of tax is guaranteed) because the income, being a contractual income, is assured beyond all peradventure. These variations in the rate illustrate the statement made above, that the variable or arbitrary element in the method of computation adopted by this report is the rate selected for the capitalization.

Fourth. The chief difficulty encountered in appraising nonphysical elements of Michigan railways arose from the fact that many of these lines extend beyond the boundaries of the state. Manifestly, the most satisfactory method of arriving at the intangible value of such lines would be for contiguous states to unite in a general appraisal and to assign the aggregate valuation thus arrived at to the respective states. By this means the danger of an overestimate or of an underestimate of the aggregate of railway property would be avoided, and, since the question of the division of this aggregate is primarily a question which interests the states rather than the corporations, it is believed that a satisfactory rule could be devised. Such a method of procedure, however, was not possible in the present instance. The appraisal of physical valuation was limited to the lines within Michigan, and it was necessary to accept this appraisal for computing the value of the nonphysical elements. It will be observed by referring again to the above form that the form itself provides one column for the Michigan portion contained in the present computation. So far as gross earnings of the Michigan portion

of interstate lines are concerned the law already provides a rule by which they are to be computed. This rule requires, first, that the [fol. 453] earnings on freight originating in Michigan and delivered to a point within Michigan should be assigned to the state as Michigan earnings; it required, second, that earnings on freight coming from without the state to a point within the state, or freight passing through the state, or freight originating within the state carried to a point without the state, should be assigned to Michigan in proportion to the mileage of the haul within the state to that of the haul without the state. This method of procedure is familiar to the railways in the settlement of their interline accounts.

This rule, however, is open to serious objection. It frequently happens in an extensive railway system that freight carried on a branch line, computed at the same rate per ton per mile as freight carried on the main line, does not contribute any considerable surplus over the expenses of the maintenance and operation of the branch line. Under such conditions the legislative rule for the localization of gross earnings would fail to assign any intangible value to the branch line. But this can not be accepted as final proof that the branch line is devoid of intangible value. It is one of the elementary principles of railway economies that a branch line is desirable, not only as a contributor of earnings to the system of which it is a part, but as a contributor of freight to the main line of the system. The chief value of the branch line to a system is frequently found in the fact that it secured to the system a longer haul on the main line, where freight is dense and where, on account of the density of traffic, expenses per ton per mile are relatively reduced. It may be urged that the main line contributes to the traffic of the branch line in the same proportion as the branch line contributes to the traffic of the main line, but this is no answer to the claim that a mileage assignment of earnings fails to measure the advantage, and consequently the commercial worth, of the branch line to the system, because it fails to take account of the fact that the economical administration of a railway depends almost entirely upon the density of its assured traffic. This being the case, it would seem proper to impute to the branch line earnings in excess of those which are allowed by the existing rule. This can be the most easily done by assigning to the branch line what is known in railway economies as "constructive mileage," that is to say, by letting each mile on the branch line count in the distribution of earnings for more than its physical mileage. The question thus raised comes to be of considerable importance to Michigan in view of the location of certain of its lines both in the upper and lower peninsula.

It is therefore respectfully submitted that, should the plan of ad valorem taxation of railway property be substituted for the present plan of specific taxation, a new rule for computing the gross earnings of those portions of interstate railways which lie in Michigan should be substituted for the one now in force.

With regard to operating expenses, no legislative rule exists. None is needed under the scheme of specific taxation. Under a scheme of

ad valorem taxation, however, intangible values being included in the appraisal of railway property, it would be necessary for the legislature to lay down a rule for the localization of operating expenses. In the case of the present report the rule adopted was to assign operating expenses on the basis of train mileage. This rule is generally accepted as the most satisfactory of the simple rules for the localization of operating expenses. Possibly a better rule might be [fol. 454] devised. The matter is referred to in this connection to make clear what is necessarily involved in the ad valorem taxation of interstate property.

Fifth. Another point of theoretic interest, should the legislature decide to adopt the ad valorem system of taxing railways, pertains to the question of permanent improvements. It is evident if the amounts expended by railways for improvements be included in operating expenses, or if by any other means they be made a charge against current income, that the surplus which remains for capitalization will be thereby decreased and that the valuation of the non-physical elements will be correspondingly reduced. The rule for charging permanent improvements, therefore, comes to be a matter of considerable importance.

American railway accounting provides three ways of disposing of expenditures incurred in the betterment of property. These expenditures may be included in operating expenses; they may be charged directly against the net income; they may be charged against the capital account. The accounts of the railways of Michigan present no uniformity in the matter of permanent improvements. In general the railroads which come under the influence of the English principle of accounting, exclude expenditures for improvements from operating expenses. The Michigan Central Railway, on the other hand (and the practice of this company is followed by the majority of Michigan roads) charges every improvement possible to operating expenses, thus increasing the ratio of operating expenses to gross income and consequently decreasing the net income from operation. The Michigan Central ratio of operating expenses to gross earnings is 72.99 per cent; the corresponding ratio for the Chesapeake and Ohio is 60.76 per cent; for the Chicago, Burlington and Quincy it is 61.54 per cent; for the Chicago, Rock Island and Pacific it is 63.56 per cent. The statistics of Railways in the United States, as compiled by the Interstate Commerce Commission, are classified by ten territorial groups. The group in which the southern peninsula of Michigan lies is Group III while the group in which the railways of the northern peninsula lie is Group VI. The average ratio of operating expenses to gross income for the railways of the United States is 65.24 per cent; the corresponding per cent for Group III is 70.52; and for Group VI is 61.18 per cent. A careful study of this ratio of operating expenses to gross earnings of leading railways in different parts of the country shows that with the exception of the Grand Rapids and Indiana, and a few minor railways, the operating expenses of the railways which lie in the southern peninsula of Michigan are abnormally high as compared with their gross earnings.

This does not mean that their management disregards the economies of operation, or that, on account of their situation, they are exposed to unusual expenditures, it is explained, for some of the lines at least, by the fact already referred to, that they charge permanent improvements to operating expenses.

It is of course evident that the appraisal of intangible values submitted by this report is very decidedly influenced by the manner in which permanent improvements are charged. It must also be evident that should the legislature deem it wise to tax railways on the basis of valuation, a law making provision for such a scheme of taxation must prescribe a method for charging permanent improvements to be followed by all railways. For it is clear that diversity of practice in this regard will result in unequal taxation as between the rail- [fol. 455] ways, to say nothing of the reduction of the basis of taxation in the case of those railways which charge all improvements to operating expenses. In making this statement I would not be understood as criticising the practice of charging permanent improvements to operating expenses. There is much to be said from the public point of view, as well as from the point of view of sound corporate financing, in favor of the conservative application of this principle. My point is that it is essential to the equitable administration of the system of ad valorem taxation when applied to railway corporations, that all corporations should be obliged to follow a uniform rule of accounting in the matter of permanent improvements.

[fol. 456] Michigan Appraisal of Physical Property.

In order to show whether any duplications are produced in the application of the Michigan method of appraisal of non-physical elements to the situation presented in this proceeding involving the valuation made by the Interstate Commerce Commission, it will be necessary to consider the Michigan appraisal of the physical property of the railroad.

We here reproduce a description of the Michigan appraisal of physical property made at the same time as the appraisal of the non-physical property by Henry C. Adams. The statement is made by Prof. Mortimer E. Cooley who was in charge of the work for the State of Michigan.

By an act of the legislature of 1899 a section was added to the general tax law of Michigan requiring the board of state tax commissioners—

6. To inquire into and ascertain the value of the properties of corporations paying specific taxes under any of the laws of this state, and to ascertain the actual rate of taxation, as based upon the valuation of said properties, that is being paid by said corporations, and to this end said board shall require reports from and make investigations as to the properties of such corporations in the same manner and to the same extent as if said corporations were paying taxes under this act.

9. To further report to the legislature, at the beginning of the regular sessions, especially, the true valuation of the properties of

corporations paying specific taxes, and the rate of taxation actually paid on said valuation and the true valuation of all other properties of the state, and the rate of taxation the same are paying, to the end that the legislature shall have the information necessary to rearrange the rate of system of taxation on said properties, so that all taxable properties of the state may be taxed uniformly.

In pursuance of this act the board undertook the valuation of the properties of railroads, telegraphs, telephones, plank roads, river improvements, express and private car lines, beginning on the railroads September 1, 1900.

A careful consideration of the different methods of appraising corporate properties led to the selection of the plan of finding, first, the cost of reproduction, rebuilding, or reacquiring the several elements entering into and constituting the property as a whole, assuming the location and the conditions governing such cost as they exist today; and, second, to affect such of the elements as can wear and depreciate with use by percentage factors representing the present condition as found by actual inspection in the field, the value of new element being considered 100 per cent. The first of the values will be referred to as the "cost of reproduction" the second as the "present value," in both cases of the physical properties only.

[fol. 457] Viewed from the engineer's standpoint the advantage of this plan will be speedily recognized. Aside from the financiering, the building of a railroad is largely an engineer's problem. The natural and simple course was, therefore, to proceed in the same manner as if a new road were projected in the exact location of the present road and compute the cost of building and equipping this road to the extent already existing, everything being new, and then fix other values representing the actual or present condition of those elements subject to change with time. In other words, the first part of the work has been done in the same manner as would be required by the railroads themselves if projecting new work.

Another potent reason justifying the plan selected, as afterwards developed, was the necessity of treating the problem strictly as an engineering problem in order to obtain uniform results. It was necessary to employ a large number of engineers expert in railroad work, and while they could agree as engineers they could not agree as experts on taxation. It very soon became necessary to publish an order excluding all thought of taxation in connection with the results to be obtained. The commissioners required of us only the cost of reproduction and the present value of a road, reserving to themselves any adjustments of these values that might be thought necessary to secure uniformity of taxation.

The plan of organization of the work was as follows: Experienced men were selected to act as chief inspectors in charge of the more important divisions of the work. To these men fell the task of directing operations in the field and in the office. They were in constant touch with all men serving in their respective divisions. The railroad appraisal embraced the two divisions of civil and mechanical engineering.

Suitable blank forms having been prepared, a force of men was detailed to secure from the records on file in the engineer's offices all available data relating to surveys, right of way and station grounds, real estate, grading, tunnels, bridges, trestles, and culverts, rails, fencing, station buildings and fixtures, shops, roundhouses and turntables, water and fuel stations, grain elevators, warehouses, docks and wharves, and miscellaneous structures. This information, properly entered upon the blank forms, was put into the hands of experienced railroad engineers, who proceeded over the road by means of hand cars or on foot and made a personal inspection of all the separate items, adding to and perfecting the records as might be found necessary. At the same time the condition of the ties, rails, track fastenings, frogs, switches and crossings, ballast, track laying and surfacing, fencing crossings, cattle guards and signs, interlocking and signal apparatus was noted, a complete record of all observations being made in a field book provided for the purpose. The data obtained in the office and in the field correspond to that which would have been obtained by actual surveys.

After the field inspection, all data and information thus far obtained was turned into the computing office, where separate items were worked up and the costs of these items new and their present values obtained. To expedite the work and insure more uniform [fol. 458] results, a set of tables was compiled, showing unit prices for all the different elements. By this means it was possible, having carried the work to a certain point, to pick from the tables the prices needed, thus obtaining directly the cost of the different quantities. The utility of these tables cannot be too highly emphasized, and the work required in their preparation saved many weeks of time and made it possible to use less experienced men in the computing office.

The results obtained in the computing office were then sent to the compiling office, where they were carefully arranged under their respective headings, the final record being complete inventory of practically everything found belonging to the railroad. For convenience, and in order that the results might be more clearly understood, they were compiled in accordance with the "Classification of construction accounts" prescribed by the Interstate Commerce Commission. A few additional items were found necessary, making in all thirty-seven different accounts, as follows: 1. Engineering; 2. Right of way and station grounds; 3. Real Estate; 4. Grading; 5. Tunnels; 6. Bridges, trestles, and culverts; 7. Ties (cross and switch ties); 8. Rails; 9. Track fastenings; 10. Frogs, switches, and crossings; 11. Ballast; 12. Track laying and surfacing; 13. Fencing; 14. Crossings, cattle guards, and signs; 15. Interlocking and signal apparatus; 16. Telegraph; 17. Station buildings and fixtures; 18. Shops, roundhouses, and turntables; 19. Shop machinery and tools; 20. Water stations; 21. Fuel stations; 22. Grain elevators; 23. Warehouses; 24. Docks and wharves; 25. Miscellaneous structures; 26. Locomotives; 27. Passenger equipment; 28. Freight equipment; 29. Miscellaneous equipment; 30. Telephones; 31. Ferries and steamships; 32. Electric plants; 33. Terminals; 34. Legal expenses; 35. Interest; 36. Miscellaneous expenses; 37. Stores and supplies.

Under the head of mechanical engineering a careful inventory and inspection was made of all shop machinery and tools, locomotives, passenger, freight, and miscellaneous equipment, and of stores and supplies. This work was very thoroughly done and included the inspection of practically every locomotive and passenger car belonging to Michigan roads. About 33,000 freight cars were inspected, and of these nearly 15,000 belonged to Michigan roads, the others being foreign cars and private-line cars. An important question arose in the division of rolling stock belonging to interstate roads. Should it be divided in proportion to the main track mileage, the total track mileage, the car mileage, or the gross earnings? A careful consideration of the several plans led finally to the selection of car mileage as the most suitable basis for the division of passenger and freight equipment and of locomotive mileage for the locomotive department. Where it was impossible to obtain the car or locomotive mileage data, main track mileage was used as the basis for division. In those cases where a single arm or division of a large system projected into the state, the problem was confined to this arm or division.

The telegraph and telephone lines belonging to the railroads also proved to be a difficult problem, as it was necessary to separate the lines used exclusively by the railroads from those belonging to the telegraph companies, and to still further separate those owned jointly. Every mile of telegraph was inspected, and the condition of the poles, wires and instruments determined by frequent examination.

[fol. 459] Perhaps no part of the work involved so much discussion as the matter of right of way, station grounds, and real estate. It is well known that a railroad right of way costs considerably more than the value of the land for other purposes. The question at issue was whether the railroad should be charged for what the right of way actually cost or for what it was worth for other purposes before it was purchased. There could be no question, it would seem, that the first cost or cost of reproduction should include the actual price paid for the right of way. Certainly this is one of the elements for which money must be raised, the same as engineering, legal expenses, interest and discount, and miscellaneous expenses, including the expenses of organization and contingencies. Theoretically, at least, the cost or reproduction may be considered to represent the value of a legitimate bond issue, and to such extent the value of a railroad.

The question whether the increased cost of right of way over and above the value as determined by contiguous property may properly be included in the present value of a railroad, is a matter about which there may be difference of opinion. The true cash value of a thing has been defined as the price upon which a purchaser and a seller mutually agree, and at which an actual transfer takes place. If an attempt were made to purchase an existing right of way, as, for example, an entrance into a city, if the owner were willing to sell at all he surely would take into consideration what it would cost the

purchaser to get into the city by any other route, and the prospective purchaser would surely consider what it would cost him by another route.

The conclusion finally reached was to add to the value of the right of way, as determined by contiguous property, an amount fairly representing the additional actual cost to the railroad. A very careful examination was made of the records on file at county seats and elsewhere, showing the transfer of a large number of pieces of property, both to railroads and to other purchasers. As a result of this examination throughout the state, it was found that the actual price paid by the railroad was from 100 to 125 per cent in excess of the value as determined by adjacent property.

Special inspectors, experts in land values, were assigned to the task of determining the value of the lands through which the railroads run, and for this work the commissioners are greatly indebted to a large number of citizens who very courteously entered upon the task of filling out the blanks requesting information as to the value of properties in their respective localities. The reports from these gentlemen were so complete as to leave no doubt as to the thoroughness of their investigation. Having in this way determined the value of the different kinds of land, it becomes necessary to determine the amounts of each kind belonging to the several roads. In this much assistance was received from the local engineers, who, on account of their familiarity with their runs, were able to give, with considerable accuracy, the extent of the lands of different grades on their respective lines.

In order that there might be no question as to the suitability of the methods employed, a board of review was appointed, consisting of Mr. Octave Chanute and Maj. G. W. Vaughn, of Chicago; Mr. Charles Hansel, of New York; and Prof. Charles E. Greene, of Ann Arbor. All of these gentlemen are members of the American Society of Civil Engineers, Mr. Chanute being a past president of the Society. With years of experience to ripen their judgment and with minds free from all details, they were asked to consider the different questions arising in the work about which there might be doubt, and to formulate rules for procedure in those cases admitting of a variety of opinions, as, for example, the division of rolling stock on interstate roads, the value of a right of way, the percentages to be added for the items of engineering, legal expenses, interest and discount, organizations and contingencies, and many others.

The actual work of field inspection of railroads was begun about September 15 and finished December 15. Complete results were obtained for all the roads in Michigan and submitted to the board of state tax commissioners the last of January, 1901. These results were completely rechecked and very elaborately compiled in several large volumes, the final work being completed May 1. It is proper to add in this connection that the cordial assistance of the railroads themselves aided greatly in expediting the work.

The following summary shows the results obtained for all the incorporated railroads of Michigan:

Mileage

Main track	7,082.355
Second track	164.833
Branches	730.992
Spurs and sidings	2,904.70

	Value of physical properties		
	Cost of reproduction	Present value	Per cent of new
1. Engineering, 4 per cent, items 2 to 25, inclusive, and 33	85,386,772	85,386,772	100.0
2. Right of way and station grounds	27,745,313	27,745,313	100.0
3. Real estate	863,337	863,337	100.0
4. Grading	21,639,995	21,639,924	100.0
5. Tunnels	1,148,070	1,093,445	95.4
6. Bridges, trestles, and culverts	8,927,119	6,337,819	70.8
7. Ties (cross and switch ties)	11,139,024	6,148,748	55.2
8. Rails	28,703,012	21,865,994	76.1
9. Track fastenings	3,845,030	2,987,982	77.8
10. Frog, switches and crossings	1,469,781	1,040,120	71.0
11. Ballast	3,723,648	3,723,558	100.0
12. Track laying and surfacing	6,555,638	6,400,972	97.5
13. Fencing	2,763,595	1,627,790	58.9
14. Crossings, cattle guards, and signs	607,542	428,474	70.4
15. Interlocking and signal apparatus	501,833	448,686	89.5
16. Telegraphy (30) telephones	258,985	134,797	52.0
17. Station buildings and fixtures	4,108,736	3,111,103	75.8
18. Shops, roundhouses, and turntables	2,157,422	1,467,969	68.2
19. Shop, machinery and tools	1,107,910	882,634	79.7

Summary of All Railroads.—Continued.

Value of physical properties			
	Cost of reproduction	Present value	Per cent of new
[fol. 461] 20. Water stations	72,070	522,135	72.0
21. Fuel stations	303,289	201,461	66.2
22. Grain elevators	1,336,791	1,009,043	75.0
23. Warehouses	258,646	183,910	71.3
24. Docks and wharves	5,631,919	3,831,934	69.4
25. Miscellaneous Structures	1,234,345	856,253	69.4
26. Locomotives	9,021,517	5,092,053	56.4
27. Passenger Equipment	3,197,473	2,277,271	71.2
28. Freight Equipment	19,734,246	13,690,587	69.4
29. Miscellaneous Equipment	702,940	423,689	60.3
31. Ferries and steamships	1,725,300	1,095,500	63.5
32. Electric Plants	33,061	89,898	96.8
33. Terminals	0	0	.....
34. Legal expenses, 0.5 per cent, items 2 to 23, inclusive and 33	673,349	673,349	100.0
35. Interest 3 per cent, items 1 to 34, inclusive	5,290,549	5,290,549	100.0
36. Miscellaneous expenses:			
Organization, 1.5 per cent	2,615,277	2,615,277	100.0
Contingencies, 10 per cent	18,428,759	15,127,110	82.3
Total cost of construction and equipment	202,716,262	166,398,156	81.4
Value of non-physical properties		35,814,043	.....
Total value of physical and non-physical properties		202,212,199	.....
37. Stores and supplies	1,474,829	1,474,829	82.2

[fol. 462] *Summary as to the Chicago Great Western Railroad Company*

[fol. 463] EXHIBIT "F" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Total Value as Evidenced by Value of Physical Property According to the Investment in Road and Equipment

The value of the physical property of the C. G. W. R. R. Co. in Iowa in 1921, using the investment in road and equipment as reported by the Chicago, Great Western R. R. Co. to the Executive Council for the State of Iowa, and apportioning the same to the State of Iowa on the basis of miles of line operated, miles of track operated, transportation train miles, and transportation car miles. (See Exhibit B) \$67,854,687

[fol. 464] EXHIBIT "G" TO THORNE'S AFFIDAVIT

Chicago Great Western Railroad Company

Total Value as Evidenced by Value of Physical Properties According to the Tentative Appraisal by the Interstate Commerce Commission in Ex Parte 74.

In Ex Parte 74, a formal case before the Interstate Commerce Commission tried in the year 1920, the Chicago Great Western Railroad Company, through duly authorized witnesses claimed a total value of their property amounting to \$134,729,042

The Interstate Commerce Commission reduced the value claimed by the railroad (9.64%).

The value of the property of the C. G. W. R. R. was found by the Commission in this case to be \$121,740,163. Apportioning this total in accordance with miles of line operated, miles of all track, transportation train miles and transportation car miles, the value of the physical property in Iowa of the C. G. W. R. R. Co. is \$61,798,350

(See Exhibit "C.")

[fol. 465] EXHIBIT II TO THORNE'S AFFIDAVIT
Chicago Great Western Railroad Company

Total Value as Evidenced by Value of Physical Property According to the Appraisal of the Bureau of Valuation of the Interstate Commerce Commission under the Valuation Act

Franchise and other intangible values appraised in the same proportion as claimed by the Chicago Rock Island & Pacific Railway Company.

Value of Physical property in Iowa using the findings of the Bureau of Valuation of the Interstate Commerce Commission acting under the Valuation Act, and bringing the said findings down to date, but allowing for increases in property and accrued depreciation as reported to the Interstate Commerce Commission and to the Executive Council for the State of Iowa, (See Exhibit D)..... \$39,326,369

Value of organized business, etc. The Chicago, Great Western R. R. Co. has filed no protest as yet with the Interstate Commerce Commission concerning its appraisal. The earnings of the Chicago, Great Western R. R. Co. are so low that the application of the Michigan Method will not show the existence of any intangible values; and yet it is true that the Chicago, Great Western has a franchise to operate, it has the right of eminent domain not possessed by the ordinary citizen, it has the right of consolidation, being exempt from the Sherman Anti-Trust Law under the approval of the Interstate Commerce Commission (Interstate Commerce Act, Sec. 5, §§ 8, 9), and it is protected against construction of competitive lines without the approval of the Interstate Commerce Commission. These franchise rights have some value. The C. R. I. & P. Ry. Co. claimed a value of its organized business, development cost, [fol. 466] etc., of \$30,000,000 which is approximately 9% of the total physical property as appraised by the Interstate Commerce Commission, in Valuation Docket 152. In this \$30,000,000 we have not included any allowance for additional materials and supplies or interest and taxes on land during the construction period because we have no evidence that such items have been omitted in the C. G. W. R. R. Co. appraisal by the Interstate Commerce Commission. Applying the 9% to the physical value of the C. G. W. R. R. Co. as found by the Bureau of Valuation of the Interstate Commerce Commission we have..... \$3,539,373

Total value of C. G. W. R. R. in the State of Iowa for taxation purposes..... 42,865,742

[fol. 467]

EVIDENCE: EXHIBIT R

(Copy)

STATE OF IOWA,

Polk County, ss:

I, C. B. Ellis, under oath depose and state:

That I am Statistician for the Board of Railroad Commissioners of the State of Iowa, and that the attached table shows the values of the property of the Chicago Great Western Railroad Company in Iowa, determined by applying to the total revenues for the State of Iowa the average operating ratio of all lines reporting to the Iowa Railroad Commission for the period from 1910 to 1921, inclusive, and also applying to said total operating revenues the average operating ratio of all lines reporting to the Iowa Railroad Commission for the years 1917 to 1921, inclusive, and by capitalizing each of the net operating revenues so obtained at 5%, 5½% and 6%.

C. B. Ellis.

Subscribed and sworn to before me by the said C. B. Ellis this 23rd day of October, 1922. Winogene Hobbs, Notary Public in and for Polk County, Iowa.

[fol. 468] Chicago Great Western Railroad Company

Value of Property for Taxation Purposes in Iowa

Determined on Basis of Average Operating Ratios for All Carriers in Iowa Over a Period of Years Applied to Total Revenues and Net Revenue Capitalized

Total Operating Revenue for year 1921—(Authority—Additional Annual Report to Executive Council)	\$12,425,055.93
Average Operating Ratio for All Carriers Reporting to Railroad Commissioners of Iowa for the years 1910 to 1921 inclusive (13 years)—(Authority—Annual Reports to Iowa Commission)	71.9%
Average Operating Ratio for All Carriers Reporting to Railroad Commissioners of Iowa for the years 1917 to 1921 inclusive (5 years)—(Authority—Annual Reports to Iowa Commission)	80.45%
Net Revenue for 1921 after applying average operating ratio for 13 years (71.9%)	3,491,450.72
Net Revenue for 1921 after applying average operating ratio for 5 years (80.45%)	2,429,098.44
Final Value for taxation purposes obtained by capitalizing at 5% the net revenue obtained by applying to the total revenues the operating ratio of 71.9%	69,829,014.50

Value of Property for Taxation Purposes in Iowa.—Continued.

Final Value for taxation purposes obtained by capitalizing at 6% the net revenue obtained by applying to the total revenues the operating ratio of 71.9%	58,190,845.33
Final Value for taxation purposes obtained by capitalizing at 5% the net revenue obtained by applying to the total revenues the operating ratio of 80.45%	48,581.96
Final Value for taxation purposes obtained by capitalizing at 5½% the net revenue obtained by applying to the total revenues the operating ratio of 71.9%	64,009,229.91
[fol. 469] Final Value for taxation purposes obtained by capitalizing at 5½% the net revenues obtained by applying to the total revenues the operating ratio of 80.45%	47,593,171.40
Final Value for taxation purposes obtained by capitalizing at 6% the net revenues obtained by applying to the total revenues the operating ratio of 80.45%	40,484,974.00

[fol. 470]

EVIDENCE: EXHIBIT 8

(Copy)

STATE OF IOWA,

Polk County, ss:

I, E. Mae Sweeney, being first duly sworn upon my oath depose and say: that I am the second Assistant Secretary of the Executive Council of the State of Iowa; that as such, I was present at the time of the hearing in connection with the assessment of railroad property in 1922, including the assessment of the Chicago, Rock Island & Pacific Railway Company and the Chicago, Great Western Railroad Company; that I know that among other things which the Council had before it in connection with the assessment of said railroad properties they had complete statistical reviews and data relative to the market values of stocks and bonds; the par value of stocks and bonds; gross and net income of the several railroads; the annual reports and additional annual reports of each of the several carriers, including the two carriers in question; also the report for all preceding years of each of said carriers, including said two particular carriers; also the complete assessed value of all classes of property for preceding year; also the reports of said railroad companies, including the two companies in question, the Railroad Commission of the State of Iowa for the year 1921 and preceding years; also exhibit No. 1, pages 7 to 12, in Ex Parte 74 before the Interstate Commerce Commission of the United States; also the reports of the Railroad Commission of the State of Iowa; the reports of the Auditor of State of the State of Iowa; also the tentative finding of value by the Interstate Commerce Commission on file with the Governor

[fol. 473]

EVIDENCE: EXHIBIT V-1

From Exhibits V-1 to 8, Incl.

Extracts from Tables of Statistics in Annual Reports of Board of Railroad Commissioners Pertaining to Chicago, Great Western Railroad Company

				For entire system			For State of Iowa		
				Operating revenues	Operating expenses	Net operating revenue	Operating revenue	Operating expenses	Net operating revenue
	1914	Year ending June 30th		14,260,521.69	10,831,167.89	3,429,353.80	7,241,237.06	5,649,537.17	1,591,699.89
	1915	" "	"	13,920,684.71	10,446,566.67	3,474,118.04	7,112,950.71	5,585,779.20	1,537,171.51
	1916	" "	"	15,067,344.63	10,716,497.80	4,350,846.83	7,690,042.21	5,741,899.52	1,948,142.69
	1916	"	Dec. 31st	16,131,691.93	11,249,655.55	4,882,026.38	8,309,696.66	5,982,572.14	2,327,124.52
	1917	" "	"	16,368,323.03	12,492,411.93	3,875,911.10	8,443,506.22	6,559,704.80	1,783,801.42
(Federal report)	1918	" "	"	19,116,924.85	17,783,097.51	1,333,827.34	9,787,791.90	9,423,267.37	364,528.53
"	1919	" "	"	22,128,189.11	19,305,163.09	2,823,026.02	11,269,598.35	10,152,585.26	1,117,013.09
	1920	" "	"	24,032,434.66	26,436,091.54	*2,403,656.88	12,383,314.76	13,878,948.06	*1,495,633.30
(Corporate report)	1918				35,380.61	*35,380.61			
"	1919				84,372.07	*84,372.07			

[*Red in copy.]

EVIDENCE: EXHIBIT V-2

From Exhibits V-1 to V-8

Report for year		1		2	3	4	5	8
		Total par value of capital stock actually outstanding at close of year		Mortgage bonds, par value actually outstanding at close of year	Total par value equip- ment obliga- tions actually outstanding at close of year	Miscellaneous obligations, total par value actually out- ing at close of year	Collateral trust bonds and total par value actually outstanding at close of year	
		Common	Preferred					
1914	Chicago Great Western	45,246,913.00	43,899,402.00	see column 7	.....	.....	.....	8
(1913)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	" " 7	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	" " 7	.....	.....	.....
1915	Chicago Great Western	45,246,913.00	43,902,902.00	see column 6	.....	.....	.....	2
(1914)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	see column 6	.....	.....	.....	1
	Wisconsin, Minnesota & P.	5,893,400.00	.....	see column 6	.....	.....	.....
1916	Chicago Great Western	45,210,513.00	43,867,902.00	25,883,000.00	.....	.....	.....	84
(1915)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1917	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1916)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1918	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1917)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1919	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1918)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1920	Chicago Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
(1919)	Mason City & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
1921	Chicago Great Western	45,210,513.00	43,926,602.00	25,894,000.00	651,000.00	2,445,373.00	.....
(1920)	Mason City & Ft. Dodge	.....	.....	12,000,000.00	.....	.....	.....
	Wisconsin, Minnesota & P.	.....	.....	6,232,000.00	.....	.....	.....

EVIDENCE: EXHIBIT V-2

From Exhibits V-1 to V-8

	1		2	3	4	5	6	7
	Total par value of capital stock actually outstanding at close of year		Mortgage bonds, par value actually outstanding at close of year	Total par value equip- ment obliga- tions actually outstanding at close of year	Miscellaneous obligations, total par value actually out- ing at close of year	Collateral trust bonds and total par value actually outstanding at close of year	Other than equipment obligations actually outstanding at close of year	Funded debt, total par value not held by respondent
	Common	Preferred						
Great Western	45,246,913.00	43,899,402.00	see column 7	.....	.....	.....	see column 7	25,877,000.00
y & Ft. Dodge	19,205,400.00	13,635,752.00	" " 7	.....	.....	.....	" " 7	12,000,000.00
, Minnesota & P.	5,893,400.00	.....	" " 7	.....	.....	.....	" " 7	6,232,000.00
Great Western	45,246,913.00	43,902,902.00	see column 6	.....	.....	.....	25,881,000.00	see columns 2,
y & Ft. Dodge	19,205,400.00	13,635,752.00	see column 6	.....	.....	.....	12,000,000.00	3, 4, & 5
, Minnesota & P.	5,893,400.00	.....	see column 6	.....	.....	.....	6,232,000.00	
Great Western	45,210,513.00	43,867,902.00	25,883,000.00	.....	.....	.....	see columns 2,	
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....	4, & 5	
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	16,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,883,000.00	.....	.....	.....
y & Ft. Dodge	19,205,400.00	13,635,752.00	12,000,000.00	.....	.....	.....
, Minnesota & P.	5,893,400.00	.....	6,232,000.00	.....	.....	.....
Great Western	45,210,513.00	43,926,602.00	25,894,000.00	651,000.00	2,445,373.00	.....	
y & Ft. Dodge			12,000,000.00	.....	.....	.....
, Minnesota & P.			6,232,000.00	.....	.....	.....

of Iowa; also copy of letter of L. C. Fritch, Vice President of the Chicago, Rock Island & Pacific Railway Company, to the Board of Railroad Commissioners of Iowa, with reference to the value of Chicago, Rock Island & Pacific Railway property in Iowa; also other matters and things which I do not at this time recall.

E. Mae Sweany.

Subscribed and sworn to before me by E. Mae Sweany, this 23rd day of October, A. D. 1922. Winogene Hobbs, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 471] EVIDENCE: EXHIBIT T—Filed Oct. 24, 1922

Copy

Before the Interstate Commerce Commission

Ex Parte 74

EXHIBIT NUMBER 1—Pages 1 to 12

Submitted in Behalf of the Railroads in Western District May, 1920

Including 11 Pages of Statements Submitted in Connection with
Testimony on Rebuttal by L. E. Wettling July 1, 1920

[fol. 472] EXHIBIT No. 1, Page 9

Western District

Property Investment—185 Roads or Systems

Western District

Average Miles Operated, 138,243.74

	Chicago, Rk. Island & Pac. Lines	Chicago Great Western
Miles Owned October 31, 1919,	7,689.27	1,411.69
Property Investment Accts. 701-702		
Dec. 31, 1917	\$362,772.238	\$131,482,952
Additions & Betterments Jan. 1, 1918, to Oct. 31, 1919,	10,026,499	1,315,557
Cost Government Allocated Equip- ment	7,042,670	716,145
Material & Supplies Oct. 31, 1919, . .	12,585,355	2,490,343
Total Property Investment,	392,426,762	136,004,997

(Here follow Exhibits V-1 and V-2, marked side folio pages 473 and 474.)

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

*Affidavit of E. G. Nourse Concerning the Earnings from Farm Lands
in the State of Iowa*

STATE OF IOWA,

Story County, ss:

I, E. G. Nourse, under oath depose and state:

1. That I am a resident of Ames, Iowa; that I am Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station, and that in such capacity I have conducted investigations into farm accounting and cost of production in the State of Iowa, and have directed the accumulation and compilation of operating data on all of the elements entering into the operation of Iowa farms, and that I have concentrated the greater portion of my time on such matters in the State of Iowa and elsewhere.

2. That affiant has in his office detailed financial statements which show the results of the farm business as a whole upon each of the farms under observation and supervision; that such financial statements show the source and amount of the direct farm income in the form of cash receipts, in withdrawals for household and personal use and in inventory increases; the actual farm expenses in the nature of direct cash outlay, depreciation of physical capital and contributions to the business from the farmer's household, such as board for hired men; and that such financial statements and reports show the net income and net losses to the business as a whole. That there has been determined under my direction the prevailing scale of wages for farm labor, and that such scale has been applied to the hours consumed in farm work, and that the department has computed and entered in its books of account the amount chargeable against each farm under its supervision for labor.

3. That the crop and live stock produce used in the household is credited to the business at a conservative rate, based on their market value at the time of use; that the uses of horses and machinery in gardening and in purely personal uses are credited to the business at the same rate at which they are charged against the farm enterprises, namely, at cost; that there is an item known as "crops in process", which covers the value of work and other expenditures put upon preparation for the next season's crops. Such item is credited as in-

crease in inventory in the same way as live stock produced during the year, but not yet marketed, is credited. That in the expense item the automobile, if any owned by the farmer is considered a personal, rather than a business, expense, but that it renders the farm business considerable service and the business is, therefore, charged with this service at cost. That the allowance for interest on capital not borrowed is determined by taking the total investment in the business and deducting therefrom the amount of borrowed funds, which gives the farmer's net investment on the portion of this representative investment in equipment, live stock and supplies. Interest is allowed at the prevailing bank rate on short time loans, 8%. The weight of evidence seems to be that good Iowa farm lands are valued over a period of years on a basis which permits of their returning only about [fol. 477] 3% to 3½% to the investor. Therefore the investment in real estate is given an interest allowance at 3½%. In appraising the value of land for inventory purposes, this department exercised great care so as not to include the artificial inflation due to the war and post war boom.

4. That from all of these reports and records on file with this department, affiant believes that farm lands on the average throughout the state of Iowa were operated during the years 1920 and 1921 at a material loss, and that the farms under the supervision and surveillance of this department were more than average farms and were operated by more than average farmers, and that such financial losses in farm operations during those years was due to the high cost of production, due to high freight rates and high cost of farm operating materials and equipment and to the low return in prices on farm products and commodities. It is the belief of this affiant that the cost of producing farm products and commodities during 1920 and 1921 greatly exceeded the market return on such products and commodities. That in order to show the exact condition of farm operations in the state of Iowa, this affiant has had prepared under his direction this series of exhibits in such manner as to show the general financial statements of the farms supervised and included in the records of this office. Such exhibits are divided into three parts—the cash rented farms—the share rented farms—and the owner operated farms.

5. The following is a brief outline of the above described exhibits:

EXHIBIT "A"

Exhibit "A" is a general financial statement of the cash rented farms operated under the surveillance of this department during the year 1921. For each farm operated the exhibit shows the assigned number, the total number of acres farmed, the total income, the total [fol. 478] expense, the net receipts, the allowance for labor, interest on investment and the deficit accruing to each of said farms. The totals are shown for all of the six farms under each respective heading. Exhibit "A" shows an operating loss per acre on cash rented farm of \$8.94. Besides this operating loss there would be to the

owner of the land certain holding charges such as depreciation of buildings, insurance, repairs and cost of grass seed, which average \$2.15 per acre on 63 cash rented farms studied by the Iowa Experiment Station. This leaves a loss of \$3.09 as compared with return of \$5.00 from \$125.00 invested in 4% bonds.

EXHIBIT "B"

Exhibit "B" is a compiled general financial statement of the share rented farms operated under the surveillance of this department during the year 1921. It shows the same items as does Exhibit "A" and an operating return per acre of \$2.47. However, the owner of such land would have carrying charges for repairs, depreciation, insurance, grass seed, etc., amounting to \$2.30 per acre as found on 21 share rented farms in this vicinity studied by the Iowa Experiment Station. This would leave only 17c per acre net return out of which to pay taxes, and may be compared with the tax-exempt return of \$5.00 from each \$125.00 invested in 4% bonds.

EXHIBIT "C"

Exhibit "C" is a general financial statement of the owner operated farms supervised by this department during the year 1921, and shows the items for each farm as in Exhibits "A" and "B". The average operating return per acre as disclosed by this exhibit is \$1.56, out of which to pay taxes and interest on investment. The exhibit also shows the computation of what the aggregate of the farms would earn were the capital invested, allowing \$125.00 to the acre, invested in [fol. 479] tax exempt securities yielding 4%, which figure per acre amounts to a return of \$5.00. Including actual interest on mortgages and only 3½% on their own equity, these owners had a deficit of \$9.20 per acre. If this is added to the net return per acre, if the money was invested in tax exempt securities yielding 4%, which amounts to \$5.00, the average farmer has lost on every \$125.00 invested in farm lands the sum of \$14.20.

EXHIBIT "D"

Exhibit "D" shows a financial statement of an aggregate of eighteen better than average Iowa farms operated during the year 1921. These particular eighteen farms were selected because the book accounts kept by the farmers were the most complete and systematic and show business ability so far as the book work is concerned. These eighteen farms comprise 4,160 acres assessed by the assessor at an average actual value per acre of \$94.48, which indicates that these farms are better than the average Iowa farms; the average assessed value being \$76.00 per acre as determined by the Executive Council for the year 1921. It is shown by this exhibit that the net income per acre, not allowing for taxes nor interest returned on the investment in the land, is \$1.11. This net return is 1.173 per cent of the actual value as determined by the assessor. Placing the value

of \$125.00 per acre on the aggregate acreage of these farms, we have a total value of \$520,000.00. The net return, not including allowance for taxes or interest returned on land investment, is .887 per cent of such total value. If this land capital of \$520,000.00 were invested in tax exempt securities yielding 4%, it would yield an income of \$20,800.00, thus making a yield per acre of \$5.00. So that these figures may be checked from the original records on file in my office, I have indicated in the exhibit the numbers of the respective farms whose financial statements are compiled in Exhibit "D."

[fol. 480]

EXHIBIT "E"

Exhibit "E" is a general aggregate compilation of the financial statements of twenty-three better than average Iowa farms operated during the year 1920. This exhibit shows a total acreage for the twenty-three farms of 5,073 $\frac{1}{2}$ acres. The net income during 1921 from these twenty-three farms, not allowing for taxes nor interest returned on land invested, is \$7,005.68, showing a net income per acre on this basis of \$1.38. This land was assessed on the average of \$88.50 per acre. On that assessed value the return is .114 per cent. Placing a value of \$125.00 per acre on these lands, we have a total investment in land of \$634,187.50. The net return for the year 1921, not including taxes nor interest returned from the land investment, is .110 per cent. If this aggregate value were invested in tax exempt securities yielding 4%, it would bring a return of \$25,367.10.

[fol. 481] Wherefore: Affiant states that farm lands in Iowa during the years 1920 and 1921 were operated at a considerable loss to the operators, and that such a conclusion is reached by reason of a close analysis and study of farm accounting and cost of production in Iowa during those years and from the reports and surveys and records of farm operations on file with this department.

E. G. Nourse, Chief Agricultural Economics and Farm Management Section of the Iowa Agricultural Experiment Station.

Subscribed and sworn to before me by E. G. Nourse this 21st day of October, 1922. A. J. Martin, Notary Public.

[Vol. 482]

EXHIBIT "A" TO NOURSE'S AFFIDAVIT

Iowa Farms

General Financial Statement—Cash Rented Farms

Farm No.	Acres No.	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit of surplus
No. 25	27.0	\$6,550.83	\$5,143.33	\$1,427.50	\$1,000.00	\$574.99	\$114.49
No. 30	129	3,900.70	3,125.52	775.18	780.00	295.33	967.17
No. 21	169	3,458.08	3,481.05	271.03	950.00	309.57	955.54
No. 11	169	3,092.43	4,121.73	732.30	795.00	360.47	187.17
No. 10	240	5,333.54	5,740.58	107.04	1,080.00	712.65	2,199.72
No. 13	220	9,181.75	9,905.79	124.03	1,010.00	1,571.73	2,456.75
Total	1289	\$32,037.34	\$31,824.00	\$213.34	\$5,655.00	\$3,023.17	\$9,024.43
Loss cash rent paid							7,819.00
Net operating loss							\$1,205.43
Operating Loss per acre							\$91
Value of 1,289 acres at \$125 per acre							\$161,124.00
Income if invested in tax exempt securities yielding 4%							\$6,445.00

NOTE.—The data here given were compiled and secured under the supervision of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa. The figures are the result of careful records kept by the farmers, aided by a trained field man, instead of being derived from the estimates made by the farmers at the end of the year, as in the survey method. The method here used is

known as the Route Method. Each co-operating farmer is given a book of original entry in which he records all his cash transactions, the hours of labor, the amount of horse and machinery used on each of the various crops and live stock enterprises, as well as the amount of feed going to the different classes of live stock; and — each, with the aid of the field man, is entered a detailed inventory of the farm property with the rates and amounts of depreciation of the various buildings, implements and farm animals. The Field man visits each of these co-operating farmers frequently to advise them in their record-keeping and to check their entries, so that all the figures shall be as accurate as possible. At the close of the year the farmers' books are collected by the field man, and their original entries are posted into a set of ledger accounts, from which the financial statement, the losses or gains on specific enterprises, and the cost figures, as given in this report, are derived.

Authority: Records and Books of Account on file in the office of the Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa.

[fol. 483]

EXHIBIT "B" TO NOTISEE'S AFFIDAVIT

Iowa Farms

General Financial Statement—Share Rented Farms

Farm No.	Acres No.	Income	Expense	Net receipts	cashier allowance	Interest allowed	Deficit or surplus
No. 17.....	280	\$8,426.20	\$6,292.11	\$2,134.09	\$720.00	\$511.69	\$902.40
No. 12.....	170	2,707.21	1,305.21	1,402.00	657.20	71.08	643.72
No. 34.....	160	3,198.51	2,398.05	800.46	518.73	217.70	34.03
No. 26.....	217½	3,758.94	2,917.73	841.21	720.00	239.25	118.04
No. 20.....	240	6,898.20	6,273.81	624.39	865.00	467.39	708.00
No. 31.....	400	5,727.74	6,948.20	1,220.46	1,090.00	361.93	2,672.39
No. 36.....	245	6,246.55	9,233.07	2,986.52	936.00	399.70	4,332.92
Total	1,720.5	\$36,963.35	\$35,368.18	\$1,595.17	\$5,560.93	\$2,268.74	\$6,240.50
Value of landlords' share.....							10,496.59

Net operating return	4,256.09
Return per acre from operation.....	\$2.47
Value of 1,720 acres at \$1.25 per acre.....	\$215,062.50
Income if invested in tax exempt securities yielding 4%	\$8,602.50

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "A."

Iowa Farms

General Financial Statement—Owner Farms

Farm No.	Acres	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit or surplus
No. 2	160	\$4,652.40	\$2,895.02	\$1,757.38	\$980.00	\$1,311.68	\$845.70
No. 8	240	7,672.40	3,891.89	3,780.51	940.00	2,484.27	356.24
No. 22	160	6,216.75	3,334.38	2,882.35	840.00	2,138.13	95.76
No. 16	240	9,999.64	8,257.19	1,742.45	1,500.00	790.60	848.15
No. 3	252	9,313.13	8,646.63	666.50	960.00	830.55	11,124.05
No. 7	120	2,966.56	1,796.10	1,170.46	840.00	1,459.91	1,129.45
No. 33	80	2,243.01	1,443.77	799.24	1,320.00	896.81	1,417.57
No. 24	160	11,884.98	10,140.63	1,744.35	1,722.50	1,990.37	1,968.72
No. 34	160	3,467.31	4,663.58	1,196.27	601.27	1,122.01	2,919.52
No. 3	320	10,047.19	6,910.69	3,136.50	2,200.00	4,139.95	3,203.45
No. 14	180	5,565.37	7,316.28	1,750.91	1,230.00	1,181.11	4,162.62
No. 19	400	6,226.05	4,756.63	1,469.42	2,175.00	3,782.40	4,487.92
No. 23	199	7,063.39	10,631.97	3,568.58	1,440.00	1,033.74	6,042.32
Owued	2680	\$76,818.16	\$74,684.74	\$12,133.40	\$16,748.77	\$22,961.53	\$26,596.90
Rented	211			Deduct land charges			31,181.71
	2891			Net Operating Return			4,584.81
Return per acre from operation							\$1.56
Value of 2,680 acres at \$125 per acre							\$335,000.00
Income if invested in tax exempt securities yielding 4%							13,400.00

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "A."

485 EXHIBIT "D" TO NOURSE'S AFFIDAVIT

Iowa Farm Operations

Aggregate Accounts for 1921 on Eighteen Better Than Average Iowa Farms

Number of farms	18
Acreage reported	4,160
"Actual value" as shown by assessor	\$393,048.00
Average "actual value" per acre	\$94.48
Net income of these eighteen farms after paying hired man's wages to operator, but no taxes nor return to land	\$4,613.18
Net income per acre	\$1.11
Percentage which this net return is of the assessor's "actual value"	1.173%
Total value of eighteen farms (4,160 acres) at \$125 per acre	\$520,000.00
Percentage which net return of \$4,613.18 is of above value .....	.887%
Income on \$520,000 if invested in tax exempt securities yielding 4%	\$20,800.00
Income on \$125 invested in tax exempt securities yielding 4%	\$5.00

*NOTE.—These eighteen farms are located in one of the best farming areas of the State and represent conditions somewhat better than the average. The record numbers assigned to the farms used in compiling the above figures are as follows: 3, 7, 8, 10, 13, 14, 16, 17, 20, 22, 23, 24, 25, 30, 31, 34, 35, and 36.

The data here given *was* compiled and secured under the supervision of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa. The figures are the result of careful records kept by the farmers, aided by a trained field man, instead of being derived from the estimates made by the farmers at the end of the year, as in the survey method. The method here used is known as the Route Method. Each co-operating farmer is given a book of original entry in which he records all his cash transactions, the hours of labor, the amount of horse and machinery used on each of the various crops and live stock enterprises, as well as the amount of feeds going to the different classes of live stock; and which, 486 with the aid of the field man, is entered a detailed inventory of the farm property with the rates and amounts of depreciation of the various buildings, implements and farm animals. The field man visits each of these co-operating farmers frequently to advise them in their record keeping and to check their entries, so that all the figures shall be as accurate as possible. At the close of the year the farmers' books are collected by the field man and their original entries are posted into a set of ledger accounts, from which

the financial statements, the losses or gains on specific enterprises, and the cost figures as given in this report are derived.

Authority: Records and Books of Account on file in the office of the Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa.

487

EXHIBIT "E" TO NOURSE'S AFFIDAVIT

Iowa Farm Operations

Aggregate Accounts for 1920 on Twenty-three Better Than Average Iowa Farms

Number of farms	23
Acreage reported	5,073 $\frac{1}{2}$
"Actual value" as shown by assessor	\$449,002.00
Average "actual value" per acre	\$88.50
Net income of these twenty-three farms after paying hired man's wages to operator, but no taxes nor re- turn to land	\$7,005.68
Net income per acre	\$1.38
Percentage which this net return (loss) is of the asses- sor's "actual value" .....	.144%
Total value of twenty-three farms (5,073 $\frac{1}{2}$ acres) at \$125.00	\$634,187.50
Percentage which net return of \$7,005.68 is of above value .....	.110%
Income on \$634,187.50 invested in tax exempt securi- ties yielding 4%	\$25,367.10
Income on \$125 invested in tax exempt securities yield- ing 4%	\$5.00

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "D."

[fol. 488]

EVIDENCE: EXHIBIT "P"

Office Copy

Before attempting to fill up this blank read carefully the printed instructions on the next page. Must be filed with Executive Council on or before the first day of April.

*Annual Report of the Chicago Great Western Railroad Company,
Made to the Executive Council of the State of Iowa for the Year
Ending December 31, 1921*

Names of officers	Post office addresses
President S. M. Felton.....	Chicago, Ill.
Vice-president ——— ———	" "
Secretary W. G. Lerch.....	" "
Treasurer J. F. Coykendoll.....	" "
General Counsel Ralph M. Shaw.....	" "
General Manager C. L. Hinkle.....	" "
General Superintendent ——— ———	" "
Chief Engineer C. G. Debs.....	" "
Comptroller Con F. Krebs.....	" "
Tax Commissioner W. L. Derr.....	" "
Superintendents of Iowa Divisions ——— ———	

Names of directors

Clyde M. Carr.....	Chicago, Ill.
E. A. Cudahy.....	" "
E. C. Finkbine.....	Des Moines, Ia.
Hon. E. N. Hurley.....	Chicago, Ill.
C. I. Joffrey.....	Minneapolis, Minn.
J. A. Spoor.....	Chicago, Ill.
Col. A. A. Sprague.....	Chicago, Ill.
E. F. Swinney.....	Kansas City, Mo.
Milton Tootle, Jr.....	St. Joseph
C. H. Thorne.....	Chicago, Ill.
G. W. Wattles.....	Hollywood, Cal.
S. M. Felton.....	Chicago, Ill.

[fol. 489]

Explanations and Instructions

This report is required under Sections 1334 and 1335 of the Code of 1897 as amended by Chapter 58 of the laws of the Twenty-ninth General Assembly, and Chapter 46, Acts of Thirtieth General Assembly, and under Chapter 61 of the laws of the Twenty-ninth General Assembly. To these provisions of the statute you are respectfully referred for any information that may not be disclosed in these explanations and instructions.

In addition to the statute, the Executive Council on May 12, 1902, adopted certain rules and regulations which must be borne in mind in compiling the report. These rules and regulations have already been communicated to the several railway companies, but for convenience they are here reproduced.

I

With Respect to Gross Earnings

(1) Every railway company subject to taxation in this State, shall keep a permanent account or record showing the earnings of its property in this State as distinguished from its earnings in any other State or Territory in which it may carry on business.

(2) Where the shipments, carriage, or other business is carried or done by the reporting company wholly within this State, the said account or record shall contain the full earnings of the company thereon.

(3) Where the shipment, carriage, or other business is carried or done by the reporting company partly within this State and partly without the State, the said account or record shall contain that proportion of the full earnings upon such shipment, carriage or other business which the haul or carriage in this State bears to the entire haul or carriage.

(4) The division provided for in rule three shall be made by actual computation, not by estimate.

(5) On or before the 1st day of July, 1902, every such railway company shall make, under oath, and file with the Executive Council, a report, showing its gross earnings in this State for the month of April, 1902, ascertained as hereinbefore provided, and monthly reports of such gross earnings shall thereafter be made. The blanks for the reports will be furnished by the Executive Council. (Rule No. 5 has been temporarily suspended.)

Remark.—The above reports are additional to those required to be annually made and additional to those showing the earnings of main lines and branches.

II

With Respect to Net Earnings

(1) The general rule to be hereafter observed is that whatever expense is incurred to preserve the property in the physical condition existing when the material, building, structure or equipment replaced, renewed, or repaired was originally put in use and to operate it, is to be deducted from the gross earnings in order to ascertain the net earnings, and all matters not specifically provided for shall be so determined. For convenience, the terms "mainte-

nance" and "operation" are used in these rules to describe the items which may be so deducted, and the term "betterment" the items which cannot be deducted.

(2) The cost of reducing grades and curves, of original ballast, of side tracks, shortening the line and the like, is not "maintenance" but "betterment." Provided that the superstructure in the case of reducing grades and curves shall be treated as though renewed upon the old line to the extent of the length of the old line.

(3) In the renewal of rails the added weight at cost price shall be charged to "betterment," the remainder to "maintenance."

(4) In renewal of permanent structures, such as bridges, culverts, crossings, station houses, offices, elevators, and the like, the cost of duplicating the old structure shall be charged to "maintenance," the remainder to "betterment."

(5) The entire cost of additional track or right of way shall be charged to "betterment."

(6) In renewal of rolling stock it shall be ascertained what the engine or car renewed or one of like efficiency would cost, and such amount shall be charged to "maintenance," and any excess to "betterment."

(7) The value of all materials, rails, ties, structures, equipment and the like displaced by new material, rails, ties, structures, equipment and the like, shall be applied to reduce the cost of maintenance.

(8) The cost of maintenance and operation of the entire system, as well as in the State of Iowa, shall be ascertained as herein provided and shall be reported.

(9) Expenditures for maintenance and operation relating solely to lines in Iowa shall be charged to cost of maintenance and operation in this State, all other expenditures for such purposes shall be equitably divided and the basis of the division shall be stated in the report.

(10) Neither interest nor taxes shall be charged to "maintenance" nor "operation."

Schedules numbered 1, 2, 3, 4 and 5 are intended to present a complete enumeration of the physical property of the company, other than lands.

Schedules 6*a*, 6*b*, 6*c* and 6*d* are intended to disclose the gross earnings of the lines in Iowa, computed as directed by Chapter 61 of the laws of the Twenty-ninth General Assembly.

Schedule 7 is intended to disclose the gross earnings of all the lines of company, i. e., its entire system.

Schedule 8 is intended to include those items of expenditure which are properly deducted from gross earnings in order to ascertain net

**CHART
TOO
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FOR
FILMING**

*Number of Ties to Mile Within the State, Weight of Rails per Yard on Main Line, Double and Side Tracks—Number of Bridges, Culverts, &c.
All Other Property Not Otherwise Classified or Scheduled*

Name of line	Point of beginning and terminus	Number of miles of track within and without the State		
		Owned	Leased	Total
Within State of Iowa				
Chicago Great Western Railroad.....	Iowa-Minn. Line to Iowa-Ill. Line.....	142,493	504	142,997
Southern Div.....	Oelwein to Ia.-Mn. Line.....	228,194	2,758	230,952
Cedar Falls Branch.....	C. F. Jet. to Cedar Falls.....	7,526	.....	7,526
Waverly Branch.....	Sumner to Waverly.....	21,871	.....	21,871
Total C. G. W. R. R. & Branches.....		400,084	3,262	403,346
Mason City & Ft. Dodge R. R. (Western Div. C. G. W. R. R.)....	Minn.-Ia. line to Manly/	233,940	2,498	236,438
	Manly, Ia. to Council Bluffs/			
	Clarion, Ia. to Hampton, Ia./	96,896	.....	96,896
	Hampton, Ia. to Oelwein /			
	Lehigh Branch Ft. Dodge to Lehigh.....	15,751	.....	15,751
Total M. C. & Ft. D. R. R. & Branches.....		346,587	2,498	349,085
Wisconsin, Minn. & Pacific R. R. (Nor. Dis. C. G. W.).....	Minn.-Ia. line to Osage, Ia.....	22,505	.....	22,505
Grand Totals.....		769,176	5,760	774,936
Outside State of Iowa				
Chicago Great Western Railroad.....	Minneapolis to Minn.-Iowa line/	.....	.....	.....
	Iowa line to Forest Park, Ill. /	257,580	34,751	292,331
	Missouri-Ia. Line to K. C., Mo.....	85,737	39,539	123,276
Martinville Minn. Branch.....		6,950	.....	6,950
De Kalb Ill. Branch.....		5,810	.....	5,810
Mason City & Ft. Dodge R. R.....	Hayfield-Minn. to Minn.-Ia. Line.....	27,393	.....	27,393
	Ia.-Nebr. line to S. Omaha.....	.....	5,632	5,632
Wis., Minn., Pacific R. R.....	Mankato, Minn. to Minn.-Iowa line &/	248,500	.....	248,500
	Simpson to Winona, Minn. /			
	Bellechester, Minn. Branch.....	6,430	.....	6,430
Total		638,400	79,922	718,322

SCHEDULE 3

*Line, Double and Side Tracks—Number of Bridges, Culverts, Turn Tables—Number of Miles of Telegraph Used Exclusively for Railroad Business—
All Other Property Not Otherwise Classified or Scheduled*

Beginning and terminus	Number of miles of track within and without the State			Number of ties per mile on all track within the State	Weight of rails per yard			No. of bridges	No. of culverts	No. of turn tables	No. of miles of telegraph in State
	Owned	Leased	Total		Main line	Db'l tr.	Side tr.				
Line to Iowa-Ill. Line.....	142,493	504	142,997	3,000	75-85-100	75 & 85	60 & 75	356	861	5	
Ia.-Mn. Line.....	228,194	2,758	230,952	3,000	75 & 85	.....	56-60-75				
o Cedar Falls.....	7,526	.....	7,526	"	60	.....	56-60				
Waverly.....	21,871	.....	21,871	"	60	.....	"			
.....	400,084	3,262	403,346								
Line to Manly/ to Council Bluffs.....	233,940	2,498	236,438	3,000	75	75	60 & 65	246	574	5	
to Hampton, Ia.).....	96,896	.....	96,896	"	75	.....	50-56-60				
Ia. to Oelwein and Ft. Dodge to Lehigh.....	15,751	.....	15,751	2,826	56	.....	50-56				
.....	346,587	2,498	349,085								
Line to Osage, Ia.....	22,505	.....	22,505	3,000	60	.....	60	8	33	0	
.....	769,176	5,760									
to Minn.-Iowa line) o Forest Park, Ill. {.....	257,580	34,751	292,331	3,000	85	.....	60 & 75	249	963	8	
Line to K. C., Mo.....	85,737	39,539	123,503	"	85 & 100	.....	"			
.....	6,950	.....	6,950	"	75 & 85	.....	56-60-75				
.....	5,810	.....	5,810	"	60	.....	56-60				
.....					60	.....	60				
mn. to Minn.-Ia. Line.....	27,393	.....	27,393	3,000	75	.....	56-60	25	34	0	
ie to S. Omaha.....	.....	5,632	5,632	.....						
Minn. to Minn.-Iowa line &/ to Winona, Minn. {.....	248,500	.....	248,500	2,600	56-60-75	.....	50-56-60	258	537	3	
, Minn. Branch.....	6,430	.....	6,430	"	56	.....	56	3	23	0	
.....	638,400	79,922	718,322								

SCHEDULE 6-C

Statement of Gross Earnings Upon Road Operated Within the State of Iowa, in the Year Ending December 31, 1921, Upon Business Originating or Terminating Within the State of Iowa, Computed Upon the Basis of the Length of Haul in Iowa, as Compared with the Haul Elongated Outside the State

Name of division or line	From passengers	From freight	From express service	From mail service	From telegraph service	From track rent
	B	C	D	E	F	G
Main Line	4230 33 03	1530237 46	.....	.....	.....	.....
Cedar Falls Branch	63 63	856 04	.....	.....	.....	.....
Waverly Branch	48 91	2594 60	.....	.....	.....	.....
Oelwein-Clarion Br.	10856 65	245504 65	.....	.....	.....	.....
Lehigh Branch	3 81	1538 72	.....	.....	.....	.....
W. M. & P. R. R. Branch	3827 20	1393 71	.....	.....	.....	.....
Total	437863 23	1785124 58	.....	.....	.....	.....

SCHEDULE 6-D

Statement of Gross Earnings Upon Road Operated Within the State of Iowa, for the Year Ending December 31, 1921, Upon Business Neither Originating nor Terminating Within the State of Iowa, Computed Upon the Basis of Length of Haul in Iowa, as Compared with the Haul Elongated Outside the State

Name of division or line	From passengers	From freight	From express service	From mail service	From telegraph service	From track rent
	B	C	D	E	F	G
Main Line	391903 84	1207039 64	.....	.....	.....	.....
Cedar Falls Branch .....	.....	.....	.....	.....	.....	.....
Waverly Branch .....	.....	.....	.....	.....	.....	.....
Oelwein-Clarion Br.	2039 70	189416 26	.....	.....	.....	.....
Lehigh Branch .....	.....	.....	.....	.....	.....	.....
W. M. & P. R. R. Branch	5349 24	7072 81	.....	.....	.....	.....
Total	399325 82	1403558 71	.....	.....	.....	.....

SCHEDULE 6-E

Indivisible Gross Earnings, Within the State, Which Cannot be Classified Under Schedules 6-A, 6-B,

Main Line .....	.....	157237 61	211423 98	.....	.....
Cedar Falls Branch .....	.....	959 29	.....	.....	.....
Waverly Branch .....	.....	1104 39	6249 41	.....	.....
Oelwein-Clarion Br. ....	.....	15424 91	31207 03	.....	.....
Lehigh Branch .....	.....	.....	7614 51	.....	.....
W. M. & P. R. R. Br. ....	.....	.....	.....	.....	.....
Total .....	.....	174723 20	256494 93	.....	.....

SCHEDULE 7

Gross Earnings for the Year Ending December 31, 1921, of Entire Road (Within and Without the State)

4,884,561 96	17,522,199 77	315915 99	480646 48	1094 18	168054 06
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SCHEDULE 6-A

Within the State of Iowa, in the Year Ending December 31, 1921, Upon Business Originating Outside the State of Iowa and Terminating in the State, Computed Upon the Basis of the Length of Haul in Iowa, as Compared with the Haul Elsewhere

From freight	From express service	From mail service	From telegraph service	From track rent	From car rent	Miscellaneous	Total
C	D	E	F	G	H	I	J
1530237 46	9778 77	1963079 26
856 04	57	920 24
2594 60	54	2644 05
245504 05	133 23	256493 93
1538 72	1542 53
4393 74	34 81	8255 72
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1785124 58	9947 92	2232935 73

SCHEDULE 6-B

Within the State of Iowa, for the Year Ending December 31, 1921, Upon Business Neither Originating Nor Terminating Within This State, But Passing, or Some Part of it, Computed Upon the Basis of Length of Haul in Iowa, as Compared with the Haul Elsewhere

From freight	From express service	From mail service	From telegraph service	From track rent	From car rent	Miscellaneous	Total
C	D	E	F	G	H	I	J
4297039 64	7456 19	4906132 69
.....
189446 26	19 38	191505 34
.....
7072 81	11 80	12433 87
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4403558 71	7187 37	5410071 90

SCHEDULE 6-C

Gross Earnings, Within the State, Which Cannot be Classified Under Schedules 6-A, 6-B, 6-D, & 6-E

.....	157237 61	211423 98	.....	.....	.....	68258 75	436920 34
.....	959 29	.....	.....	.....	.....	.....	959 29
.....	1104 39	6249 41	.....	.....	.....	.....	7353 80
.....	15424 91	31207 05	.....	.....	.....	.....	46634 97
.....	.....	7614 51	.....	.....	.....	.....	7614 51
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
.....	174724 29	256494 96	.....	.....	.....	68258 75	499479 91

SCHEDULE 7

Earnings for the Year Ending December 31, 1921, of Entire Road (Within and Without this State)

1,522,199 77	315915 99	480646 48	1094 18	168054 06	1413635 32	1015519 44	25801626 87
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SCHEDULE 8

Operating Expenses (i. e., Expenditures for Maintenance and Operation, Excepting Taxes) for Road Within State of Iowa, for the Year E
Strictly the Rules Given in the Explanations and Instructions on Page Two and the Provisions of Sect

Name of line	Train, station and telegraph service and surplus	Repairs and re- newals of all property	Rent of cars, tracks, etc.	Management of general offices	Foreign agencies and advertising	Loss and damages paid	Local expenses
A	B	C	D	E	F	G	H
Main Line	4591636 76	3,733,491 79	860040 95	263327 29	221808 71	370735 75	23823
Cedar Falls Branch.....	59028 23	47,949 73	.....	3248 47	2736 29	5112 23	293
Waverly Branch	155875 31	139607 79	.....	9510 99	8011 49	12638 18	860
Oelwein Clarion Br.....	429030 33	470501 14	.....	42196 66	35543 56	49340 22	3818
Lehigh Branch	69645 82	76280 08	.....	6831 84	5754 67	7992 46	618
W. M. & P. R. R. Branch.....	34729 96	71694 88	.....	9778 91	8237 08	10547 78	884
	5249946 41	4539525 41	860040 95	334894 16	282091 71	456366 62	30304

SCHEDULE 9

Operating Expenses (i. e., Expenditures for Maintenance and Operation, Excepting Taxes) for Entire System or Road Within and Wi

C. G. W. R. R.....	10122264 00	8980442 25	3133123 53	652687 89	553663 80	858927 00	59064
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SCHEDULE 8

and Operation, Excepting Taxes) for Road Within State of Iowa, for the Year Ending December 31, 1921. In filling this Schedule Follow Given in the Explanations and Instructions on Page Two and the Provisions of Section 1335 of the Code

Repairs and re- newals of all property	Rent of cars, tracks, etc.	Management of general offices	Foreign agencies and advertising	Loss and damages paid	Legal expenses	Insurance	Miscellaneous	Total (excluding taxes)	Taxes
C	D	E	F	G	H	I	J	K	L
5733,491 79	860040 95	263327 29	221808 71	370735 75	23828 44	242 35	184132 87	10159244 91	
47,949 73	.....	3248 47	2736 29	5112 23	293 95	2 99	1,118 84	119490 73	
139607 79	.....	9510 99	8011 40	12638 18	860 65	8 75	3275 77	329788 84	
470501 14	.....	42196 66	35543 56	49340 22	3818 37	38 84	14533 37	1045002 49	
76280 08	.....	6831 84	5754 67	7992 46	618 21	6 29	2353 02	169482 39	
71694 88	.....	9778 91	8237 08	10547 78	884 89	9 00	3368 05	139250 55	
<u>4539525 41</u>	<u>860040 95</u>	<u>334894 16</u>	<u>282091 71</u>	<u>456366 62</u>	<u>30304 51</u>	<u>308 22</u>	<u>208781 92</u>	<u>11962259 91</u>	

SCHEDULE 9

nance and Operation, Excepting Taxes) for Entire System or Road Within and Without this State for the Year Ending December 31, 1921

3980442 25	3133123 53	652687 89	553663 80	858927 00	59061 60	600 71	408491 36	24769262 14
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SCHEDULE 10

Recapitulation (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the Railroad)

Name of line A	Miles of road		Lands and town lots listed in land record D	Value of property used in operation	
	In Iowa B	Entire length C		Road (Schedule 1) E	Buildings, etc., (Schedule 2) F
Chicago Great Western R. R. (all lines).....	769,176	1407,576	Included in "E"	10910578	437215

SCHEDULE 10—Continued. (Lines in State of Iowa only)

Name of line	Gross earnings (Schedule 6)		Operating expenses (Schedule 8)		Net earnings	
	Total	Per mile	Total	Per mile	Total	Per
	J	K	L	M	N	O
Main Line	11402628 70	118859 95	10159244 91	16802 50	1243383 79	20
Cedar Falls Branch	8021 40	1065 83	119490 73	15877 06	.....	..
Waverly Branch	27193 44	1243 36	329788 84	15078 82	.....	..
Oelwein Clarion Branch	983007 57	10144 98	1045002 49	10784 78	.....	..
Lehigh Branch	15115 50	959 65	169482 39	10760 10	.....	..
W. M. & P. R. R. Branch	41068 76	1824 87	139250 55	6187 54	.....	..
	12477035 37	16221 30	11962259 91	15552 05	514775 46	6

SCHEDULE 10—Concluded—(Entire System)

Name of System	Gross earnings (Schedule 7)		Operating expenses (Schedule 9)		Net earnings	
	Total	Per mile	Total	Per mile	Total	Per
	J	K	L	M	N	O	P
C. G. W. R. R.	25801626 87	17246 39	24769262 14	16556 33	1032364 73	6

SCHEDULE 10

tion (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the Road in Iowa)

Value of property used in operating road in Iowa

Miles of road		Lands and town lots listed in land record	Value of property used in operating road in Iowa				Actual value of property per mile of road in Iowa
In Iowa	Entire length		Road (Schedule 1)	Buildings, etc. (Schedule 2)	Rolling stock (Schedule 4)	Total	
B	C	D	E	F	G	H	I
769.176	1407.576	Included in "E"	10910578	437215	3917438	15,265,231	19846

SCHEDULE 10—Continued. (Lines in State of Iowa only)

Gross earnings (Schedule 6)		Operating expenses (Schedule 8)		Net earnings or loss				Taxes paid in 1921
				Net earnings		Loss		
Total	Per mile	Total	Per mile	Total	Per mile	Total	Per mile	
K	L	M	N	O	P	Q	R	S
1402628 70	118859 95	10159244 91	16802 50	1243383 79	2056 45	.....	.....	403994 26
8021 40	1065 83	119490 73	15877 06	.....	.....	111469 33	14811 23	4162 00
27193 44	1243 36	329788 84	15078 82	.....	.....	302595 40	13835 46	9583 10
983007 57	10144 98	1045002 49	10784 78	.....	.....	61994 92	639 80	10922 42
15115 50	959 65	169482 39	10760 10	.....	.....	154366 89	9800 45	9981 49
41068 76	1824 87	139250 55	6187 54	.....	.....	98181 79	4362 67	11331 02
2477035 37	16221 30	11962259 91	15552 05	514775 46	669 25	.....	.....	449974 29

SCHEDULE 10—Concluded—(Entire System)

Gross earnings (Schedule 7)		Operating expenses (Schedule 9)		Net earnings or loss				Taxes paid in 1921
				Net earnings		Loss		
Total	Per mile	Total	Per mile	Total	Per mile	Total	Per mile	
K	L	M	N	O	P	Q	R	S
801626 87	17246 39	24769262 14	16556 33	1032364 73	690 06	.....	.....	861756 59

[fol. 501] (Copy mutilated.) purpose of taxation, such statement shall show the number of sleeping and dining cars not owned by such corporation of the year for which the return is made, the value of each car so used, and also the number of miles each month said cars have been run or operated each month within and without the state. Such statement shall show the average daily sleep division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part havin

Attach the Sleeping Car Company's Report.

Standard (line) between Ill. Iowa line and Oelwein Iowa, 71,403 miles of main track					Standard (line) between Oelwein, Iowa, and Chariton, Iowa, 97,083 miles of main track					Standard (line) between Dodge, Iowa, 28,740				
Month	Cars used		Miles run by same		No.	Cars used		Miles run by same		No.	Cars used		Miles run by same	
	No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D
January	13	.....	29091	133395	2	.....	6019	23126	4	.....	.....	.....	.....
February	11	.....	22842	113441	2	.....	5437	20888	4	.....	.....	.....	.....
March	11	.....	25446	126393	2	.....	6019	23126	4	.....	.....	.....	.....
April	11	.....	24850	123293	2	.....	5824	22380	4	.....	.....	.....	.....
May	12	.....	25966	120445	2	.....	6019	23126	4	.....	.....	.....	.....
June	12	.....	27455	138041	2	.....	5824	22380	4	.....	.....	.....	.....
July	12	.....	30356	155222	2	.....	6019	23126	4	.....	.....	.....	.....
August	12	.....	28124	141069	2	.....	6019	23126	4	.....	.....	.....	.....
September	12	.....	27380	138540	2	.....	5824	22380	4	.....	.....	.....	.....
October	12	.....	27752	130997	2	.....	6019	23126	4	.....	.....	.....	.....
November	12	.....	27231	137491	2	.....	5824	22380	4	.....	.....	.....	.....
December	12	.....	24999	123731	2	.....	6019	23126	4	.....	.....	.....	.....
Total	.....	.....	321492	1582058	.....	.....	70866	272290	.....	.....	.....	.....	.....

Proportionate Value in State
Number of Miles of Road
Average Value per Mile

	Standard (line) between Waterloo, Iowa, and Des Moines, Iowa, 104,501 miles of main track					Standard (line) between Des Moines, Iowa, and Iowa-Mo. line, 95,412 miles of main track					Standard (line) between Mauly, Iowa, 19,828 1			
	Cars used		Miles run by same			Cars used		Miles run by same			Cars used		Miles run by same	
Month	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D		
January	16	.....	43028	218440	10	.....	35589	156022	2	.....	.....	.....
February	14	.....	32946	162769	10	.....	29578	123625	2	.....	.....	.....
March	14	.....	33887	175074	10	.....	31295	131358	2	.....	.....	.....
April	14	.....	33092	174394	10	.....	30012	130738	2	.....	.....	.....
May	14	.....	34620	177916	10	.....	31376	134266	2	.....	.....	.....
June	14	.....	36607	187533	10	.....	33298	144287	2	.....	.....	.....
July	14	.....	42150	215331	10	.....	37974	171930	2	.....	.....	.....
August	14	.....	41300	211632	10	.....	37974	167433	2	.....	.....	.....
September	14	.....	36293	186540	10	.....	33203	144279	2	.....	.....	.....
October	14	.....	35038	179871	10	.....	31963	136533	2	.....	.....	.....
November	15	.....	35143	201598	11	.....	31677	156748	2	.....	.....	.....
December	17	.....	35217	199700	13	.....	31963	155549	2	.....	.....	.....
Total	.....	.....	441151	2290798	.....	.....	396802	1751868	.....	.....	.....	.....

Proportionate Value in State
Number of Miles of Road
Average Value per Mile

General Remarks

It shall show the number of sleeping and dining cars not owned by such corporation, but used by it in operating its railway in the state during each year, and also the number of miles each month said cars have been run or operated on such railway within the state, and the total number of miles run or operated on such railway within and without the state. Such statement shall show the average daily sleeping car and dining car service or wheelage operated on each part or point on the line where variations occur, with the mileage of that part having the same daily service or wheelage.

Attach the Sleeping Car Company's Report.

Standard (line) between Oelwein, Iowa, and Clarion, Iowa, 97.083 miles of main track					Standard (line) between Clarion, Iowa, and Ft. Dodge, Iowa, 28.740 miles of main track					Standard (line) between Oelwein, Iowa, and Waterloo, Iowa, 25.892 miles of main track				
Cars used					Cars used					Cars used				
Miles run by same					Miles run by same					Miles run by same				
On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B
133395	2	.....	6019	23126	4	.....	3563	48360	18	.....	12480	235032	16	.....
113441	2	.....	5437	20888	4	.....	3219	40880	16	.....	9606	178001	16	.....
126393	2	.....	6019	23126	4	.....	3564	45260	16	.....	9994	191936	16	.....
123293	2	.....	5824	22380	4	.....	3478	44157	16	.....	9943	190748	16	.....
120445	2	.....	6019	23126	4	.....	3593	45617	16	.....	10201	195092	16	.....
138041	2	.....	5824	22380	4	.....	3937	49869	16	.....	10616	203853	16	.....
155222	2	.....	6019	23126	4	.....	5173	65252	16	.....	12040	232195	16	.....
141069	2	.....	6019	23126	4	.....	5374	67751	16	.....	11755	228496	16	.....
138540	2	.....	5824	22380	4	.....	5173	65220	16	.....	10538	202860	16	.....
130997	2	.....	6019	23126	4	.....	5346	67394	16	.....	10269	196735	16	.....
137491	2	.....	5824	22380	4	.....	5173	65220	17	.....	10217	217646	16	.....
123731	2	.....	6019	23126	4	.....	5231	65966	19	.....	10331	216564	16	.....
1582058			70866	272290			52824	670946			127990	2489158		

Standard (line) between Des Moines, Iowa, and Iowa-Mo. line, 95.412 miles of main track					Standard (line) between Iowa-Minn. line and Mandy, Iowa, 19.828 miles of main track					Standard (line) between Mandy, Iowa, and Mason City, Iowa, 9.183 miles of main track				
Cars used					Cars used					Cars used				
Miles run by same					Miles run by same					Miles run by same				
On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B	In Iowa C	On entire line D	No. A	Total value B
218440	10	.....	35589	156022	2	.....	1235	25234	17	.....	2874	231713	17	.....
162769	10	.....	29578	123625	2	.....	1110	19992	17	.....	2580	206635	17	.....
175074	10	.....	31295	131358	2	.....	1219	22134	17	.....	2865	227052	17	.....
174394	10	.....	30912	130738	2	.....	1209	21777	17	.....	2790	322692	17	.....
177916	10	.....	31376	134266	2	.....	1249	22491	17	.....	2911	229920	17	.....
187533	10	.....	33298	144287	2	.....	1526	27489	20	.....	3581	259512	20	.....
215331	10	.....	37974	171030	2	.....	2340	42126	20	.....	4298	294350	20	.....
211632	10	.....	37974	167433	2	.....	2479	44625	20	.....	4481	306629	20	.....
186540	10	.....	33203	144279	2	.....	2379	42840	20	.....	3912	278062	20	.....
179871	10	.....	31963	136533	2	.....	2459	44268	20	.....	4050	283173	20	.....
201598	11	.....	31677	156748	2	.....	2379	42840	20	.....	3921	274849	20	.....
199700	13	.....	31963	155549	2	.....	2379	42840	20	.....	3958	279249	20	.....
2290798			396802	1751868			21963	398656			42221	3193836		

General Remarks

Standard—
Mason City to Clarion, 43.511 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	2	2697
February	2	2437
March	2	2697
April	2	2654
May	2	2741
June	2	3350
July	2	5134
August	2	5439
September	2	5221
October	2	5395
November	2	5221
December	2	5221
Average	2	48,207

Standard—McIntire to Iowa—
Minn. line near Le Roy, 5.54 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	9	1562
February	4	620
March	4	687
April	4	664
May	4	687
June	4	703
July	4	687
August	4	687
September	4	665
October	4	687
November	4	665
December	4	687
Average	..	9001

Standard—
Oelwein to McIntire, 64.033

Cars used	Miles run by same	
	In Iowa	Entire line
January	17	25616
February	17	32340
March	17	34901
April	17	34127
May	18	35537
June	18	38039
July	18	43867
August	18	41689
September	18	38231
October	17	37399
November	19	36822
December	21	34773
Average	..	433341

Standard—
Minn. line ne

Standard—Ft. Dodge
to Council Bluffs, 134.692 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	2	8359
February	2	7543
March	2	8351
April	2	8216
May	2	8485
June	2	10371
July	2	15894
August	2	16836
September	2	16163
October	2	16702
November	2	16163
December	2	16163
Average	..	149237

Standard—tourist—Minn.—
Iowa line to Oelwein, 68.660 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	6	1511
February	4	1030
March	2	509
April	..	....
May	..	....
June	..	....
July	..	....
August	..	....
September	..	....
October	..	....
November	6	1648
December	6	1373
Average	..	6071

Standard—tourist—Oelwein
to Iowa-Mo. line, 225.895 miles

Cars used	Miles run by same	
	In Iowa	Entire line
January	6	4970
February	4	3388
March	2	1807
April	..	....
May	..	....
June	..	....
July	..	....
August	..	....
September	..	....
October	..	....
November	6	5421
December	6	4518
Average	..	20104

Standard—
Mason City to Carlton, 43.511 miles

Cars used	Miles run by same	
	In Iowa	Entire line
2	2697	25234
2	2437	19992
2	2697	22134
2	2654	21777
2	2741	22491
2	3350	21489
2	5134	42126
2	5439	44625
2	5221	42840
2	5395	44268
2	5221	42840
2	5221	42840
2	48,207	398656

Standard—McIntire to Iowa—
Minn. line near Le Roy, 5.54 miles

Cars used	Miles run by same	
	In Iowa	Entire line
9	1562	122879
4	620	46032
4	687	50964
4	664	49320
4	687	50964
4	703	51713
4	687	50964
4	687	50570
4	665	49320
4	687	50964
4	665	49320
4	687	50964
..	9001	673974

Standard—
Oelwein to McIntire, 64.039

Cars used	Miles run by same	
	In Iowa	Entire line
17	25616	227445
17	32340	197754
17	34901	212849
17	34127	210193
18	35537	210563
18	38039	238902
18	43867	283691
18	41689	264737
18	38231	241020
17	37399	224006
19	36822	250765
21	34773	234301
..	433341	2796226

Standard—McIntire to Ia.—
Minn. line near Toopl, 4.621 miles

Cars used	Miles run by same	
	In Iowa	Entire line
8	1423	104566
13	1816	151722
13	1945	162885
13	1908	160873
11	2277	188367
14	2158	187189
14	2592	232727
14	2435	214167
14	2204	191700
14	2126	173042
15	2102	201445
17	1936	183337
..	24922	2152020

Standard—Fl. Dodge
to Council Bluffs, 134.692 miles

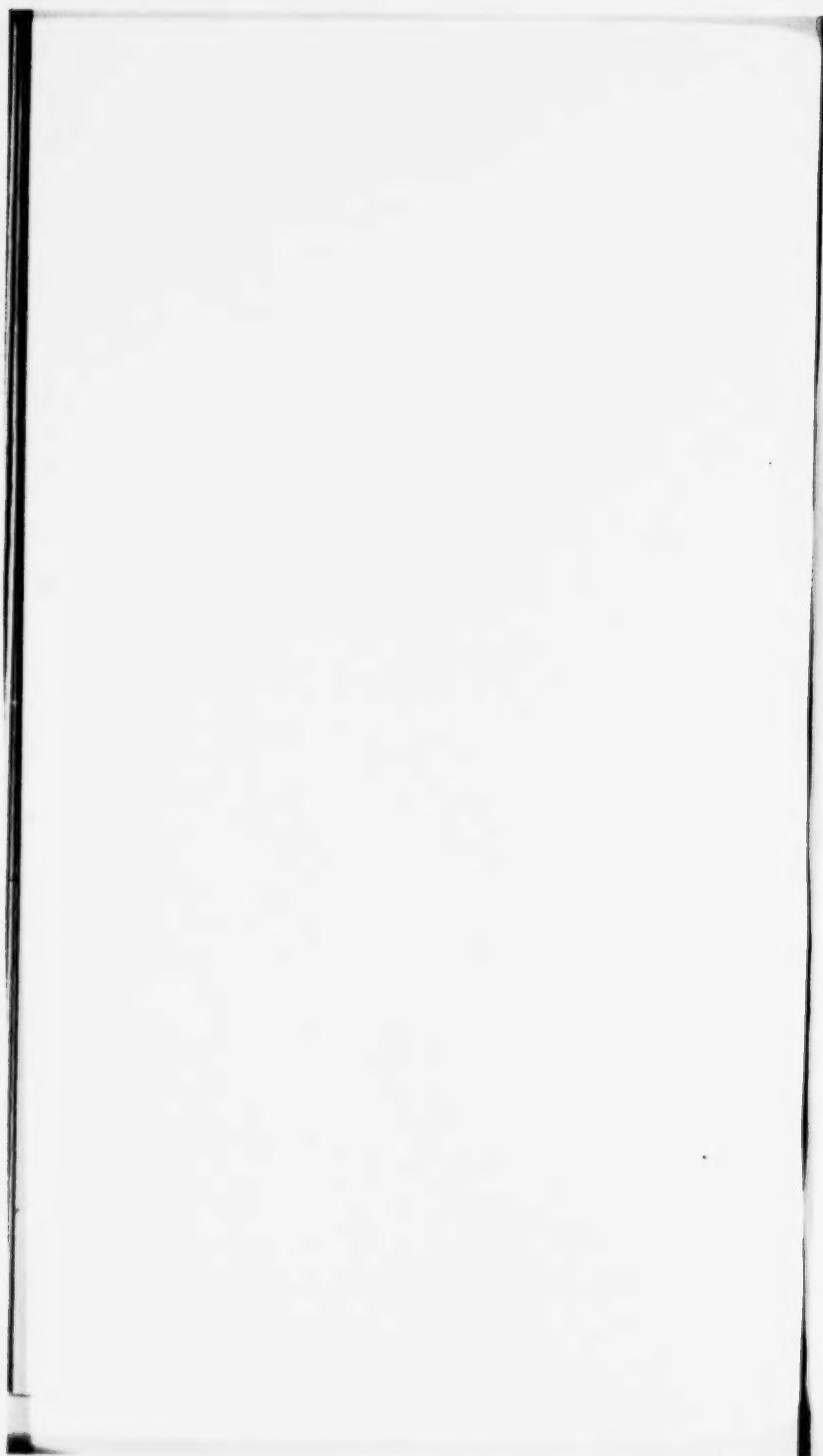
Cars used	Miles run by same	
	In Iowa	Entire line
2	8350	25234
2	7543	19992
2	8351	22134
2	8216	21777
2	8485	22491
2	10371	27489
2	15894	42126
2	16836	44625
2	16163	42840
2	16702	44268
2	16163	42840
2	16163	42840
..	149237	398656

Standard—tourist—Minn.—
Iowa line to Oelwein, 68.690 miles

Cars used	Miles run by same	
	In Iowa	Entire line
6	1511	51414
4	1030	30169
2	509	14110
..
..
..
..
..
..
..
6	1648	34668
6	1373	30508
..	6071	160869

Standard—tourist—Oelwein
to Iowa-Mo. line, 225.895 miles

Cars used	Miles run by same	
	In Iowa	Entire line
6	4970	51414
4	3388	30169
2	1897	14110
..
..
..
..
..
..
..
6	5421	34668
6	4518	30508
..	20104	160869



earnings. In making up this schedule the above rules under the head "With Respect to Net Earnings" must be strictly complied with.

Schedule 9 is intended to disclose the expenses of maintenance and operation of all the lines of the company, i. e., its entire system.

Schedule 10 is for a recapitulation of the former schedules, and must in all instances be filled.

Schedule 11 is a report of all sleeping and dining cars, forming a part of the trains of the company, owned wholly or in part by other companies or individuals, and should be carefully observed.

All explanatory remarks must be written on the page or pages found at the close of the schedules and should not be written on the schedules themselves.

This report must be verified by the general auditor of the company, or if there be no such general auditor, then by the officer of the company having general charge of its books and accounts.

This report must be filed not later than the first day of April.

In the "Value" column of the Schedule of Property, the actual value of the property must be stated.

Express all fractions in decimals, and do not extend decimals beyond three points or thousandths. Omit fractions of a dollar in giving values.

This blank must not be changed to meet convenience of reporting corporation, but be followed strictly.

Should you desire to discuss some feature of this report or the property reported, the next page may be used for statement of facts.

(Here follow tables marked side folio pages 490-502, inclusive.)

[Feb. 56:]

Remarks

Enter after the appropriate numbers below any necessary explanation of items in the schedules corresponding with respective numbers.

- Schedule 1. ____
 Schedule 2. ____
 Schedule 3. ____
 Schedule 4. ____
 Schedule 5. ____
 Schedule 6. ____
 Schedule 7. ____
 Schedule 8. ____
 Schedule 9. ____
 Schedule 10. ____
 Schedule 11. ____

STATE OF ILLINOIS,

County of Cook, ss:

I, C. G. Delo being duly sworn, upon my oath say that I am the Chief Engineer of the Chicago Great Western Railroad Company; that I have examined the foregoing Schedules numbered 1 to 11 inclusive; that the report contained in said Schedules is complete, true and correct as I verily believe; that of my own personal knowledge the gross earnings for the State of Iowa, set forth in Schedules 6a, 6b, 6c and 6d were computed and ascertained in the manner required by Chapter 61 of the laws of the Twenty-ninth General Assembly, and that the expenditures stated in Schedule 8 were computed and ascertained as required by the rules and regulations of the Executive Council of the State of Iowa, adopted May 13, 1902.

Subscribed in my presence and sworn to before me, a Notary Public in and for said County and State, by C. G. Delo on this 29 day of March, 1922.

In witness whereof, I have hereunto set my hand and seal of office.

N. A. Bell. [Seal]

[fol. 504]

EVIDENCE: EXHIBIT "Q."

Additional Annual Report of the Chicago Great Western Railroad Company to the Executive Council of the State of Iowa for the Year Ending December 31, 1921, to be Filed Within 30 Days from Date of Service.

[fol. 505]

STATE OF IOWA,

Polk County, ss.:

I, R. E. Johnson, Secretary of the Executive Council of the State of Iowa, do hereby certify that the following is a true and correct copy of a resolution adopted by the Executive Council of the State of Iowa on March 20th, 1922.

Resolution.

Resolved that the several railroad and railway companies having property in the State of Iowa used and useful for railway purposes to be valued by the Executive Council for assessment for the year 1921 and subsequent years be required and requested to furnish the information called for in the additional annual report to which this resolution is attached and which additional annual report is made a part of this resolution.

Be it further resolved that the information be furnished in detail and that all of the information requested be furnished within the time and manner provided by law and filed with the Executive Council of the State of Iowa as is provided by law.

Be it further resolved that the Secretary of the Executive Council of the State of Iowa cause to be delivered to the several railroad companies such additional annual reports accompanied by copy of this resolution in the time and manner as provided by law.

It is further certified that the Executive Council at such meeting directed that notice of the adoption of such resolution be given the several railroad and railway companies in accordance with the provision of law and that the information be furnished within the time and manner as provided by law for the use of the Executive Council in connection with the assessment of the property of each of the railroad and railway companies operating within the State of Iowa and having property within the State of Iowa subject to assessment by the Executive Council of the State of Iowa.

This resolution is printed and this certificate is printed in connection with the request for information and additional annual report as required by the Executive Council.

In testimony whereof I hereunto set my hand and the official seal of the Executive Council of the State of Iowa.

Dated this 20th day of March, 1922.

R. E. Johnson, Secretary of the Executive Council of the State of Iowa.

Instructions

1. In tables one, two, three, four and five set out fully and in detail all the information requested and designated in such tables.
2. In table six there is to be set out in detail the investment in road and equipment for the entire line as shown by the abstract of reports to the Interstate Commerce Commission. In addition thereto the designations of property 47-a, 67, 68 and 69 are to be added. It will be understood that if such classes or either of such classes are included in any of the other classes so stated in the table then they need not be set out but the facts must be stated fully and completely in the space at the bottom of the table so that the Council may know just where such classes are included and under what particular class of property.
3. In table seven the investment in road and equipment within the State of Iowa. Give the information required in detail. State the method of allocation used as to each separate class of property and the reason for the use of such method of allocation. This should be stated in the blank space in the back of the report provided for remarks. The same instructions relative to classes of property 47-a, 67, 68 and 69 and under table six shall apply to table seven.
4. Table eight will be in detail and complete.
5. Table nine. As to this table state as to head of remarks in the back of the report the method of allocation used and the reason for the use of such allocation as to each separate item enumerated under this table and as to each state for which the information is furnished.
6. In table six-a the information will be furnished in detail. As to items 47-a, 67, 68 and 69 the same instructions will govern as given for table six.
7. Printer will print on the inside cover at the top and before the instruction the resolution attached.

(Here follow tables marked side folio pages 506-519, inclusive.)

[fol. 506]

TABLE I

Capital Stock and Dividends Paid Thereon During the Year Ending Dec. 31, 1921

Description of capital stock	Number of shares authorized	Par value of shares	Total par value authorized	Total amount issued and outstanding in hands of public	Amount owned by company	Dividends paid	
						Rate	Amount
Common	460,000	100	46,000,000	45,210,513	36,400	....	None
Preferred	500,000	100	50,000,000	43,926,602	210,800	....	None

TABLE II

Funded By:

Mortgage Bonds, Miscellaneous Obligations, Income Bonds, Equipment Trust Obligations, Etc., Dec. 31, 19

Description of each issue or series by name as designated in records of the company	Time		Amount of authorized issue	Amount issued and outstanding in hands of public	Amount owned by company	Re-
	Date of issue	When due				
1. Chicago Great Western Railroad Company First Mortgage, 50 year 4% Gold Bonds,	Sept. 1-1909	Sept. 1-1959	75,000,000	(<i>a</i>) 25,383,000	(<i>b</i>) 12,574,000	4
2.						
3.						
4.						
5. Wisconsin Central Ry. Co., Minneapolis Terminal, 50 years 3½% Gold Bonds,	Jan. 1-1900	Jan. 1-1950	500,000	500,000	None	2
6.						
7.						
8. Wisconsin Minnesota & Pacific R. R. Co., First Mortgage 50 years 4% Gold Bonds,	Jan. 1-1900	Jan. 1-1950	6,222,000	11,000	(<i>c</i>) 6,221,000	4
9.						
10.						
11. Mason City & Ft. Dodge R. R. Co., First Mortgage, 50 years 4% Gold Bonds,	June 1-1905	June 1-1955	12,000,000	12,000,000	None	(<i>d</i>) 4
12.						
13.						
14. Note to U. S. Government.....	Oct. 23-1920	Oct. 23-1935	276,000	276,000	None	6
15.						
16. Note to U. S. Government.....	Dec. 21-1920	Dec. 21-1930	1,929,373	1,929,373	None	6
17.						
18. Temporary Equipment Trust Notes.....	Jan. 15-1920	Jan. 15-1935	(<i>e</i>) 651,000	607,600	None	6
19. (<i>a</i>) includes \$3110,500 of the amount issued in exchange for 86,221,000 W. M. & P. R. R. Co. bonds. See (<i>b</i>) and (<i>c</i>). 20. (<i>b</i>) " " " " " " " " " " " " 21. (<i>c</i>) Acquired by C. G. W. R. R. Co. in exchange for a like amount of its First Mortgage 50 yr. 4% Gold Bonds, see (<i>a</i>) and (<i>b</i>). 22. (<i>d</i>) The interest on these bonds is not an obligation of the Chicago Great Western R. R. Co. unless it is earned under the terms of, and as pro 23. (<i>e</i>) 15 Notes \$43,400 each, one note payable each year on January 15th. 24. 25.						

Totals, or amount forward

TABLE II
Funded Debt

Mortgage Bonds, Miscellaneous Obligations, Income Bonds, Equipment Trust Obligations, Etc., Dec. 31, 1921

Bonds designated in	Time		Amount of authorized issue	Amount issued and outstanding in hands of public	Amount owned by company	Interest		Additions to the funded debt in hands of public from Dec. 31, 1920, to Dec. 31, 1921
	Date of issue	When due				Rate	When payable	
Chicago & North Western R. R. Co., First Bonds,	Sept. 1-1909	Sept. 1-1959	75,000,000	(a) 25,383,000	(b) 12,574,000	4	March 1 and Sept. 1	None
St. Louis Terminal Bonds,	Jan. 1-1900	Jan. 1-1950	500,000	500,000	None	3½	Jan. 1 and July 1	None
Chicago & North Western R. R. Co., First Bonds,	Jan. 1-1900	Jan. 1-1950	6,232,000	11,000	(c) 6,221,000	4	Apr. 1 and Oct. 1	None
Chicago & North Western R. R. Co., First Mort- gage Bonds,	June 1-1905	June 1-1955	12,000,000	12,000,000	None	(d) 4	June 1 and Dec. 1	None
.....	Oct. 23-1920	Oct. 23-1935	276,000	276,000	None	6	May 1 and Nov. 1	None
.....	Dec. 21-1920	Dec. 21-1930	1,929,373	1,929,373	None	6	Jan. 1 and July 1	None
Notes,	Jan. 15-1920	Jan. 15-1935	(e) 651,000	607,000	None	6	Jan. 15 and July 15	None

Amount issued in exchange for \$6,221,000 W. M. & P. R. R. Co. bonds. See (b) and (c)

" " " " " " " " (a) " (c)

Chicago & North Western R. R. Co. in exchange for a like amount of its First Mortgage 50 yr. 4% Gold Bonds, see (a) and (b)

Chicago & North Western R. R. Co. is not an obligation of the Chicago Great Western R. R. Co. unless it is earned under the terms of, and as provided in, the lease
note payable each year on January 15th

TABLE IV

Statement of All Capital Stock, Bonds and Other Securities of Other Persons, Companies or Corporations Owned By, or Held in Trust for Reporting Company on Dec. 31, 1921, and the Market or Actual Value at the Same

		Bonds and other securities				
Description of stock, bonds and other securities (list and foot stocks and bonds separately)		Capital stock, No. of shares	Time		Interest rate	Par value
			Date of issue	When due		
1.	Iowa Development Co.	Capital Stock	250			250000
2.	Iowa Townsite Co.	" "	100			100000
3.	St. Charles Hotel & Park Co.	" "	227			227000
4.	Omaha Grain Terminals	" "	10000			1000000
5.	Great Western Coal Co.	" "	35000			3500000
6.	Independent Elevator Co.	" "	2206			2206000
7.	Mason City & Ft. Dodge R. R. Co.	" " (Common)	192051			19205100
8.	Mason City & Ft. Dodge R. R. Co.	" " (Preferred)	136377 52/100			13637752
9.	Wisconsin, Minnesota & Pa- cific R. R. Co.	" "	58934			5893400
10.	Minnesota Transfer R. R. Co.	" "	70			7000
11.	St. Paul Union Depot Co.	" "	1036			103600
12.	St. Joseph Union Depot Co.	" "	10			1000
13.	Iowa Transfer Ry. Co.	" "	81			8100
14.	Kansas City Terminal Ry. Co.	" "	18333 1/3			183333 1/3
15.	Leavenworth Terminal Ry. & Bridge Co.	" "	600			600000
16.	Iowa Sugar Co.	" "	125			12500
17.	Omaha Grain Exchange	" "	1			500
18.	Total Stocks					3983888 1/3
19.	aMinnesota Transfer Ry. Co.	5% Gold Bonds	Aug. 1-1916	Aug. 1-1946	5	60000
	bLeavenworth Terminal Ry. & Bridge Co.	5% " "	Jan. 1-1893	Jan. 1-1923	5	230000
20.	aPillsbury-Washburn Co.	5% Collat'l Trust Bds.		Aug. 8-1928	5	1500
	bU. S. Government 1st Liberty Loan	3 1/2% Bonds	June 15-1919	June 15-1947	3 1/2	6400
21.	a " "	1st " "	Nov. 15-1917	Nov. 15-1942	4 1/4	400
	b " "	2nd " "	Nov. 15-1917	Nov. 15-1942	4 1/4	29650
	" "	4 " "	Oct. 24-1918	Oct. 15-1938	4 1/4	252350
22.	Total Bonds					3193300
23.	Independent Elevator Co.	Note	July 1-1918	July 1-1923	5	207493.42
24.	aKansas City Terminal Ry. Co.	6 Notes	*	#	6	10650
25.	bU. S. Government Victory Lib. Loan	4 3/4% Notes	May 20-1919	May 20-1923	4 3/4	408000
	c " " Treasury Notes	5 1/2% " "	Sept. 15-1921	Sept. 15-1924	5 1/2	500000
	Total Notes					1126143.42
	Total					41284328.42

*Acquired April 1, 1921; Aug. 2, 1921; Oct. 15, 1921; Nov. 1, 1921; Dec. 1, 1921; and Feb. 10, 1922.

#Due: April 1, 1922; Aug. 2, 1922; Oct. 15, 1922; Nov. 1, 1922; Dec. 1, 1922; and Feb. 10, 1923.

**CHART
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LARGE
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TABLE VIII

Mileage

A. Mileage of Line Operated (All Tracks) Dec. 31, 1921

Line in use	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total mileage operated	New line constructed during year	Remarks
	Main line	Branches and spurs							
Single track	99272	1218	.....	.....	37523	8593	149606	.....
Second track	5782	.....	.....	.....	104	1787	10673	.....
Third track .....	.....	.....	.....	.....	.....	1124	1124	.....
Fourth track .....	.....	.....	.....	.....	.....	1124	1124	.....
Yard track and sidings	41420	.....	.....	.....	12489	5545	59424	.....
Totals	146474	1218	.....	.....	50116	21143	221951	none	

B. Mileage of Line Operated, by States and Territories (Single Track), Dec. 31, 1921

State or Territory	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total single track mileage operated	Miles of second track	Miles of third tracks	Miles of fourth track	Miles of yard track and sidings	Total
	Main line	Branches and spurs										
Illinois	14724	581	.....	.....	.....	2414	17749	6150	.....	.....	11775	2
Minnesota	36646	695	.....	.....	2733	1061	11135	1550	1124	1124	14731	7
Iowa	39329	2942	.....	.....	34790	582	77641	2056	.....	.....	25705	10
Missouri	8498	.....	.....	.....	.....	1626	10124	361	.....	.....	4424	7
Kansas	77	.....	.....	.....	.....	2354	2431	.....	.....	.....	1761	7
Nebraska .....	.....	.....	.....	.....	.....	556	556	556	.....	.....	1028	22
Totals	99272	1218	.....	.....	37523	8593	149606	10673	1124	1124	59424	22

C. Mileage of Line Owned, by States and Territories (Single Track), Dec. 31, 1921

State or Territory	Line represented by capital stock		Miles of second track	Miles of third track	Miles of fourth track	Miles of yard track and sidings	Total mileage owned	New line constructed during year	Remarks
	Main line	Branches and spurs							
Illinois	14724	581	3800	.....	.....	10256	29361	.....
Minnesota	36646	695	495	.....	.....	12986	50622	.....
Iowa	39327	2942	1487	.....	.....	14865	58622	.....
Missouri	8498	.....	.....	.....	.....	4026	12524	.....
Nebraska	77	.....	.....	.....	.....	711	788	.....
Totals	99272	1218	5782	.....	.....	42645	151917	none	

TABLE VIII

Mileage

A. Mileage of Line Operated (All Tracks) Dec. 31, 1921

Name	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total mileage operated	New line constructed during year	Remarks
	Main line	Branches and spurs							
Alaska	99272	1218	.....	.....	37523	8593	119606	.....
Alaska	5782	.....	.....	.....	101	4787	10673	.....
Alaska	.....	.....	.....	.....	.....	1124	1124	.....
Alaska	.....	.....	.....	.....	.....	1124	1124	.....
Alaska and sidings	41420	.....	.....	.....	12489	5515	59424	.....
Alaska	116474	1218	.....	.....	50116	21143	221951	none	

B. Mileage of Line Operated, by States and Territories (Single Track), Dec. 31, 1921

Territory	Line represented by capital stock		Line of proprietary companies	Line operated under lease	Line operated under contract, etc.	Line operated under trackage rights	Total single track mileage operated	Miles of second track	Miles of third tracks	Miles of fourth track	Miles of yard track and sidings	Total mileage operated	New line constructed during year
	Main line	Branches and spurs											
Alaska	11724	581	.....	.....	.....	2114	17719	6150	.....	.....	11775	35644	.....
Alaska	36646	695	.....	.....	2733	1061	11135	1550	1124	1124	14731	59664	.....
Alaska	39329	2942	.....	.....	34790	582	77641	2056	.....	.....	25705	105402	.....
Alaska	8498	.....	.....	.....	.....	1626	10124	361	.....	.....	4421	14909	.....
Alaska	77	.....	.....	.....	.....	2354	2431	.....	.....	.....	1761	4192	.....
Alaska	.....	.....	.....	.....	.....	556	556	556	.....	.....	1028	2140	.....
Alaska	99272	1218	.....	.....	37523	8593	119606	10673	1124	1124	59424	221951	none

C. Mileage of Line Owned, by States and Territories (Single Track), Dec. 31, 1921

Territory	Line represented by capital stock		Miles of second track	Miles of third track	Miles of fourth track	Miles of yard track and sidings	Total mileage owned	New line constructed during year	Remarks
	Main line	Branches and spurs							
Alaska	11724	581	3800	.....	.....	10256	29361	.....
Alaska	36646	695	495	.....	.....	12986	50622	.....
Alaska	39327	2942	1487	.....	.....	11863	58622	.....
Alaska	8498	.....	.....	.....	.....	1026	12524	.....
Alaska	77	.....	.....	.....	.....	711	788	.....
Alaska	99272	1218	5782	.....	.....	12645	151917	none	

Abstract of Income Covering Two Years, 1

(This account should be made in accordance with rules prescribed

	State of Iowa		System		8
	1920	1921	1920	1921	1920
1. Operating Income					
2. *Railway Operating Revenues.....	12,383,314.76	12,425,055.93	24,032,434.66	24,228,610.68	1,531.09
3. *Railway Operating Expenses—Total (Taxes excluded).....	13,878,948.06	11,347,296.85	26,436,091.54	24,426,164.76	1,295.86
4. Maintenance of way and structures.....	3,143,530.90	1,973,869.02	5,987,677.90	3,727,094.08	972.99
5. Maintenance of way and structures—Depreciation.....					
6. Maintenance of equipment.....	3,437,659.09	2,705,963.64	6,547,922.05	5,109,447.96	1,064.03
7. Maintenance of equipment—Depreciation.....	99,044.77	93,822.83	188,656.73	177,157.92	30.65
8. Traffic.....	273,347.30	412,601.65	520,661.52	779,081.66	81.60
9. Transportation—Rail and water.....	6,435,704.19	5,688,678.15	12,258,481.18	10,741,461.76	1,992.00
10. Miscellaneous operations.....	122,588.81	100,271.14	233,502.55	189,333.72	37.94
11. General.....	370,763.79	375,958.16	706,216.75	709,890.79	114.76
12. Transportation for investment—Cr.	3,690.82	3,867.71	7,030.14	7,303.13	1.42
13. *Net Revenue from Railway Operations.....	†1,495,633.30	1,077,759.08	†2,403,656.87	2,802,115.92	235.22
14. *Railway tax accruals.....	156,589.75	138,418.82	991,316.27	917,894.26	118.51
15. *Uncollectible railway revenues.....	Not divided.	Not divided.	992.15	1,752.64	Not divid
16. *Railway Operating Income**.....	†1,952,223.05	639,340.26	†3,394,050.90	1,882,889.02	116.708
17. Revenues from miscellaneous operations.....					
18. Expenses of miscellaneous operations.....					
19. Net revenue from miscellaneous operations.....					
20. Taxes on miscellaneous operating property.....					
21. Miscellaneous operating income.....					
22. Total Operating Income**.....	†1,952,223.05	639,340.26	†3,394,050.70	1,882,889.02	116.708
23.					
24.					
25. Gross Income**.....				2,394,062.01	
26.					
27. Deductions from Gross Income			Item 22 above		
28. Interest on funded debt.....			is income of U. S.		
29. Interest on unfunded debt.....			R. R. Administra-	1,681,706.88	
30. Amortization of discount on funded debt.....			tion and Corpora-	38,741.15	
31. Total Deductions from Gross Income.....			tion and items 26	13,510.44	
32. Net Income*.....			to 37 cannot prop-	3,466,356.63	
33.			erly be added	†1,095,294.62	
34. Disposition of Net Income			thereto or deduct-		
35. Dividend Appropriations of Income.....	Not available.		ed therefrom.		Not availa
36. Total Appropriations of Income.....					
37. Income **Balance Transferred to Profit and Loss.....				†1,095,294.62	
38.					
39. Railway Operating Revenues.....	12,383,314.76	12,425,055.93	24,032,434.66	24,228,610.68	1,531.09
40. Railway Operating Expenses plus Taxes (Total items 3, 14, 15).....	14,335,537.81	11,785,715.67	27,426,485.36	22,345,721.66	1,414.38
41. Net Revenue. (Taxes deducted.) Subtract item 40 from item 39	†1,952,223.05	639,340.26	†3,394,050.70	1,882,889.02	116.708

* Includes operation of water lines, if any.

** Deficit in red.

† Denotes credit.

made in accordance with rules prescribed in the Uniform System of Accounts for Steam Railway Corporations by Interstate Commerce Commission)

[illegible]

Stream Railway Corporations by Interstate Commerce Commission)

[illegible]



Income Account for the Year Ended December 31, 1921—Iowa

14—192

Give the income account of the respondent for the year in accordance with the rules prescribed in the uniform system of accounts for steam railway corporations.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
1.	I. Operating Income:			
2. (501)	*Railway operating revenues.....			
3. (531)	*Railway operating expenses.....			
4.	*Net revenue **from railway operations.			
5. (532)	*Railway tax accruals.....			
6. (533)	*Uncollectible railway revenues.....			
7.	*Railway operating income**.....			
8. (502)	Revenues from miscellaneous operations..			
9. (534)	Expenses of miscellaneous operations.....			
10.	Net revenue** from miscellaneous opera- tions			
11. (535)	Taxes on miscellaneous operating property.			
12.	Miscellaneous operating income**.....			
13.	Total operating income**.....			

* Includes operation of water lines, if any.

** Deficit, in red.

Data not available for State of Iowa.

Income Account.—Continued.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
14.	II. Non-operating Income:			
15. (503)	Hire of freight cars—Credit balance.....			
16. (504)	Rent from locomotives.....			
17. (505)	Rent from passenger-train cars.....			
18. (506)	Rent from floating equipment.....			
19. (507)	Rent from work equipment.....			
20. (508)	Joint facility rent income.....			
21. (509)	Income from lease of road.....			
22. (510)	Miscellaneous rent income.....			
23. (511)	Miscellaneous nonoperating physical prop- erty.....			
24. (512)	Separately operated properties—Profit.....			
25. (513)	Dividend income.....			
26. (514)	Income from funded securities.....			
27. (515)	Income from unfunded securities and ac- counts.....			
28. (516)	Income from sinking and other reserve funds.....			
29. (517)	Release of premiums on funded debt.....			
30. (518)	Contributions from other companies.....			
31. (519)	Miscellaneous income.....			
32.	Total non-operating income**.....			
33.	Gross income**.....			

Data not available for State of Iowa.

34.	III. Deductions from Gross Income:
35.	Hire of freight cars—Debit balance.....
36.	Rent for locomotives.....
37.	Rent for passenger-train cars.....
38.	Rent for floating equipment.....
39.	Rent for work equipment.....
40.	Joint facility rents.....
41.	Rent for leased roads.....
42.	Miscellaneous rents.....
43.	Miscellaneous tax accruals.....
44.	Separately operated properties—Loss.....
45.	Interest on funded debt.....
46.	Interest on unfunded debt.....
47.	Amortization of discount on funded debt..
48.	Maintenance of investment organizations..
49.	Income transferred to other companies.....
50.	Miscellaneous income charges.....
51.	Total deductions from gross income
52.	Net income**.....

••Deficit, in red.

Data not available for State of Iowa.

Income Account.—Continued.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
IV. Disposition of Net Income:				
53.				
54. (552)	Income applied to sinking and other reserve funds			
55. (553)	Dividend appropriations of income			
56. (554)	Income appropriated for investment in physical property			
57. (555)	Stock discount extinguished through income			
58. (556)	Miscellaneous appropriations of income			
59.	Total appropriations of income			
60.	Income** balance transferred to Profit and Loss			

* Deficit, in red.

Income Account for the Year Ended December 31, 1921—*System*

Give the income account of the respondent for the year in accordance with the rules prescribed in the uniform system of accounts for steam railway corporations.

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (increase in black, decrease in red)		Remarks (c)
			(c)	(d)	
1.	I. Operating Income:				
2. (501)	*Railway operating revenues.....	\$21,228,610.68	\$	1,342,114.19	
3. (531)	*Railway operating expenses.....	21,426,164.76		427,424.63	
4.	*Net revenue **from railway operations.....	2,802,445.92		4,620,535.82	
5. (532)	*Railway tax accruals.....	917,804.25		153,108.06	
6. (533)	*Uncollectible railway revenues.....	1,552.64		3,329.10	
7.	*Railway operating income**.....	1,882,889.02		4,464,038.66	
8. (502)	Revenues from miscellaneous operations.....	.....		.....
9. (534)	Expenses of miscellaneous operations.....	.....		.....
10.	Net revenue** from miscellaneous operations.....	.....		.....
11. (535)	Taxes on miscellaneous operating property.....	.....		.....
12.	Miscellaneous operating income**.....	.....		.....
13.	Total operating income**.....	1,882,889.02		4,464,038.66	

*Includes operation of water lines, if any. **Deficit, in red.

Income Account.—Continued

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
II. Non-operating Income:				
14.				
15.	Hire of freight cars—Credit balance.....	25,126.83	14,802.38	
16.	Rent from locomotives.....	1,246.58	45,591.45	
17.	Rent from passenger-train cars.....			
18.	Rent from floating equipment.....			
19.	Rent from work equipment.....	7,046.18	43,884.72	
20.	Joint facility rent income.....	78,201.40	26,007.13	
21.	Income from lease of road.....		492,241.64	
22.	Miscellaneous rent income.....	83,797.73	16,181.66	
23.	Miscellaneous nonoperating physical prop- erty.....	1,153.53	41,570.85	
24.	Separately operated properties—Profit.....			
25.	Dividend income.....	174,412.04	170,268.04	
26.	Income from funded securities.....	49,446.71	2,302.20	
27.	Income from unfunded securities and ac- counts.....	67,354.24	25,531.63	
28.	Income from sinking and other reserve funds.....			
29.	Release of premiums on funded debt.....			
30.	Contributions from other companies.....			
31.	Miscellaneous income.....	387.75	41,702,006.46	
32.	Total non-operating income**.....	488,172.99	41,950,202.08	
33.	Gross income**.....	2,371,062.01	2,513,836.58	

III. Deductions from Gross Income:

34.			
35.	(535)	Hire of freight cars—Debit balance.....	790,943.53
36.	(537)	Rent for locomotives.....	1,715.28
37.	(538)	Rent for passenger-train cars.....	3,197.95
38.	(539)	Rent for floating equipment.....	3,892.17
39.	(540)	Rent for work equipment.....	854,773.42
40.	(541)	Joint facility rents.....	41,475.18
41.	(542)	Rent for leased rails.....	1,659.98
42.	(543)	Miscellaneous rents.....	.....
43.	(544)	Miscellaneous tax accruals.....	.....
44.	(545)	Separately operated properties—Loss.....	1,981,706.89
45.	(546)	Interest on funded debt.....	38,741.15
46.	(547)	Interest on unfunded debt.....	13,510.44
47.	(548)	Amortization of discount on funded debt.....	.....
48.	(549)	Maintenance of investment organizations.....	.....
49.	(550)	Income transferred to other companies.....	4,740.65
50.	(551)	Miscellaneous income charges.....	.....
51.		Total deductions from gross income.....	3,490,355.63
52.		Net income**.....	41,095,294.62
			1,078,448.98
			430,289.42
			21,912.31
			57.50
			4,484.24
			201,036.62
			1,208.58
			424,526.43
			634.90
			779,931.65

**Debit, in red.

†Denotes credit.

Income Account.—Continued

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
IV. Disposition of Net Income:				
53.	(532) Income applied to sinking and other reserve funds			
54.	(533) Dividend appropriations of income.....			
55.	(554) Income appropriated for investment in physical property.....			
56.	(555) Stock discount extinguished through income			
57.	(556) Miscellaneous appropriations of income....			
58.	Total appropriations of income.....			
59.	Income** balance transferred to Profit and Loss.....	+1,095,294.62	+1,435,387.60	

** Deficit, in red.

† Denotes credit.

(Here follows table marked side folio page 522.)

[fol. 522]

TABLE XII

Taxes Paid Each State or Jurisdiction—State Separately Federal Taxes

State or jurisdiction	Total actual value			Average actual value per mile of road			Total taxes paid		
	1919	1920	1921	1919	1920	1921	1919	1920	1921
Illinois							102232	118386	136802
Iowa							390239	447231	486791
Minnesota							220872	245011	214953
Missouri							29346	32629	29365
Kansas							14152	15141	19981
Nebraska							12776	15105	16751
U. S. Government

Net available.

Above amounts are stated in dollars only.

TABLE XII

Taxes Paid Each State or Jurisdiction—State Separately Federal Taxes

Average actual value per mile of road				Total taxes paid			Average tax per mile of road			Other taxes		
1921	1919	1920	1921	1919	1920	1921	1919	1920	1921	1919	1920	1921
Net available.				102232	118386	136802	668	774	894	.....	.....	.....
				390239	447231	486799	506	580	632	.....	.....	.....
				220872	245011	214954	551	611	536	.....	.....	.....
				29346	32629	29362	345	384	346	.....	.....	.....
				14152	15141	19986	18379	19764	25956	.....	.....	.....
				12776	15105	16751	.....	.....	.....	.....	.....	.....
				98	26	33	137942	37151	47108

through the counties of Fayette, Bremer, Chickasaw, Howard and Mitchell to a point on the Iowa-Minnesota state line between the stations of Bailey and Taopi.

Also from a point on the last described line at Sumner in Bremer County southwesterly through the County of Bremer to a junction with the Mason City & Fort Dodge Railroad in the town of Waverly, Bremer County.

Also from a point on the Iowa-Minnesota state line near Le Roy, Minnesota, in a generally southwesterly direction through the counties of Howard and Mitchell and crossing the main line of the Chicago Great Western Railroad at McIntire, Iowa, to a point in the city of Osage in Mitchell county.

Also from a point in the City of Oelwein, thence in a generally southwesterly direction through the cities of Waterloo, Marshalltown and Des Moines and through the counties of Fayette, Buchanan, Blackhawk, Grundy, Tama, Marshall, Jasper, Polk, Warren, Madison, Clark, Union, Ringgold and Taylor to a point on the Iowa-Missouri state line at the station of Athelstan. Also from a point on the above described line at the station of Cedar Falls Junction in Blackhawk county, northwesterly in said county to the city of Cedar Falls.

(Here follow tables marked side folios pages 525-527, inclusive.)

[fol. 528] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

NOTICE

To the Above-named Respondents and Ben J. Gibson and Bruce J. Flick, Their Attorneys:

Take notice that within twenty (20) days after the lodging of the record of the above entitled cause with the Clerk of the Supreme Court of the United States, pursuant to appeal therein allowed, the above named appellant will file with the said Clerk the enclosed designation of points to be relied upon and the parts of the record necessary to be printed.

Chicago Great Western Railroad Company, By Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. F. Riley, Donald Evans, Its Solicitors,

Service of the within notice and copy of the designation of points to be relied on and parts of the record to be printed is acknowledged this 22 day of January, 1923.

Ben J. Gibson, Attorney General of Iowa; Bruce J. Flick, Solicitors for Respondents.

Comparative Statement, by States, of Investment Value, Mileage, Earnings, Operating I

[fol. 525]

[fol. 526]

	System		State of Iowa		
	1920	1921	1920	1921	
1. Mileage Operated:					1
2. Total miles of road* operated Dec. 31, 1921.....	1496.06	1496.06	776.41	776.41	2
3. Average miles of road* operated during year ended Dec. 31, 1921.....	1496.06	1496.06	776.41	776.41	3
4. Total mileage of all tracks operated, Dec. 31, 1921.....	2218.15	2219.54	1053.30	1054.02	4
5. Revenue Train Mileage Total.....	5819983	5731981	3055312	3035889	5
6. Revenue Train miles per mile of road.....	3890	3831	3935	3910	6
7. Car Mileage.....	.....	.....	.....	.....	7
8. Freight Car Mileage.....	101027799	111998091	51150353	56740028	8
9. Passenger Car Mileage.....	17812326	17272564	9126160	8835589	9
10. Locomotive Mileage.....	7865808	7641548	3900205	3856097	10
11. Total Car and Locomotive Mileage.....	126705933	136912203	64176718	69431714	11
12. Gross Operating Revenues, total.....	24032434.66	24228610.68	12383314.76	12425055.93	12
13. Per mile of road* operated.....	16063.81	16194.95	15949.46	16003.21	13
14. Total Operating Expenses.....	26436091.54	2426164.76	13878948.06	11347296.85	14
15. Per mile of road* operated.....	17670.47	14321.73	17875.81	14615.08	15
16. Per cent of gross operating revenue.....	110.00	88.43	112.08	91.33	16
17. Taxes Accrued, State and Federal Separately.....	State 901397.47	844662.76	456589.75	438418.82	17
18. Per mile of road* operated.....	562.51	564.59	588.08	564.67	18
19. Per cent of gross operating revenue.....	60.10	48.89	.....	.....	19
20. Net Revenue from Railway Operations (Taxes deducted) See Table IX.....	4.12	3.79	3.69	3.53	20
21. Operating Ratio.....	‡3394050.70	1882889.02	‡1952223.05	639340.26	21
22. *Per cent of Total Operating Expenses charged to.....	114.12	92.22	115.77	94.86	22
23. Maintenance.....	47.42	41.24	47.42	41.24	23
24. Depreciation.....	.71	.83	.71	.83	24
25. Investment value (Table VI).....	.....	.....	.....	.....	25

[fol. 527]

R

Railway Operating Revenues:

Intrastate Revenues are allocated to the several states on an actual
 Interstate " " " " " " " " on a mileage

Railway Operating Expenses:

Operating Expenses " " " " " " " " in the ratio of
 train mileage of the entire line.

* Main track. † System and Iowa only. ‡ Denotes credit.
 † Denotes credit.

TABLE XIV

Value, Mileage, Earnings, Operating Expenses, Taxes and Train Mileage for the Years Ended Dec. 31, 1920, and Dec. 31, 1921

State of Iowa		[fol. 526]	State of Illinois		State of Minnesota	State of Missouri		State of Kansas	
1920	1921		1920	1921		1920	1921	1920	1921
776.41	776.41	1	.....	.....	.....	.....	.....	.....	.....
776.41	776.41	2	.....	17719	.....	.....	10124	.....	243
		3	.....	17719	.....	.....	10124	.....	243
1053.30	1054.02	4	.....	35644	.....	.....	14909	.....	419
3055312	3035889	5	945832	973204	1181409	1085540	512177	513321	123063
3935	3910	6	5338	5492	2872	2639	5059	5070	5062
.....	.....	7	.....	.....	.....	.....	.....	.....	.....
1150353	56740028	8	24810324	29245748	15021174	15542814	8071949	8411649	1973999
9126160	8835589	9	2762183	2784850	4161916	3924939	1455900	1404304	299974
3900205	3856097	10	1369765	1324723	1720691	1558899	715223	691397	172641
4176718	69431714	11	28882272	33355327	20903781	21026682	10243072	10507350	2446614
1314.76	12425055.93	12	453109134	502008426	467439358	437550389	200595499	194532295	41884181
5949.46	16003.21	13	2557198	2833765	1136354	1063694	1981386	1921496	1722918
4948.06	11347296.85	14	429586487	363817278	536652658	405811561	232637605	191764175	55780153
7875.81	14615.08	15	2424444	2073255	1304613	986536	2297883	1894154	2294533
112.08	91.33	16	9481	7247	11481	9275	11597	9858	13318
5589.75	438418.82								
Allocated	Not allocated	17	11851779	3900822	25777777	24716250	3573536	2901992	1657362
			Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated
588.08	564.67	18	66887	55877	62666	60086	35298	28664	68176
.....	.....	19	262	197	551	565	178	149	396
3.69	3.53	20	11670868	128291326	494991077	7022578	435615642	4133872	415553334
223.05	639340.26								
115.77	94.86	21	9743	7444	12032	9840	11775	10007	13714
		22	.....	.....	.....	.....	.....	.....	.....
47.42	41.24	23	.....	.....	.....	.....	.....	.....	.....
.71	.83	24	.....	.....	.....	.....	.....	.....	.....
.....								

REMARKS

d to the several states on an actual basis.

" " " " on a mileage haul prorata.

" " " " in the ratio of the transportation service train mileage in each State to the transportation service

e.

y. ‡ Denotes credit.

XIV

Expenses, Taxes and Train Mileage for the Years Ended Dec. 31, 1920, and Dec. 31, 1921

State of Illinois		State of Minnesota		State of Missouri		State of Kansas		State of Nebraska	
1920	1921	1920	1921	1920	1921	1920	1921	1920	1921
.....
.....	17719	.....	41135	.....	10124	.....	2431	.....	556
.....	17719	.....	41135	.....	10124	.....	2431	.....	556
.....	35644	.....	59664	.....	14909	.....	4192	.....	2140
945832	973204	1181409	1085540	512177	513321	123063	121837	2190	2190
5338	5492	2872	2639	5059	5070	5062	5012	394	394
.....
24810324	29245748	15021174	15542814	8071949	8411649	1973999	2057852	.....	.....
2762183	2784850	4161916	3924939	1455900	1404304	299974	316632	6193	6220
1369765	1324723	1720691	1558899	715223	691397	172641	168842	47283	41590
28882272	33355321	20903781	21026682	10243072	10507350	2446614	2543326	53176	47810
453109134	502008426	467439358	437550389	200595499	194532295	41884181	45913862	780369	43827
2557198	2833165	1136354	1063694	1981386	1921496	1722918	1888682	140354	47883
429586487	363816278	536652658	405811561	232637605	191764175	55780153	45637731	1057445	857046
2424444	2053255	1304613	986536	2297883	1894154	2294533	1877323	190188	154145
9481	7247	11481	9275	11597	9858	13318	9940	13551	.....
.....
11851779	9900822	25777777	24716250	3573536	2901992	1657362	1705182	1620318	1400148
Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated
66887	55877	62666	60086	35298	28664	68176	70143	291424	251825
262	197	551	565	178	149	396	371	20763	.....
11670868	128291326	494991077	7022578	435615642	4133872	415533334	4429051	41897394	42301621
.....
9743	7444	12032	9840	11775	10007	13714	10311	34314	.....
.....
.....
.....

MARKS

asis.
and prorate.

the transportation service train mileage in each State to the transportation service

[fol. 529] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

To the Clerk of the above court:

Comes now the above named appellant, Chicago Great Western Railroad Company, and for the purpose of designating the parts of the record necessary to be printed, attaches hereto the points upon which it will rely upon the submission of the appeal and the parts of the record necessary to be printed for consideration thereof.

[fol. 530]

IN SUPREME COURT OF U. S.

STATEMENT OF POINTS TO BE RELIED UPON AND DESIGNATION OF RECORD—Filed Jan. 25, 1923

1. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant the relief prayed for.

2. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.

3. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed for, for the reason that the use or certification of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.

4. The said court, constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or the allegations of its bill upon final hearing.

5. The said court, constituted under Section 266 of the Judicial Code, in denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

[fol. 531] 6. That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

8. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for

the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of the law, all contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States.

9. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

10. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at [fol. 532] law or in equity, and will be subjected to a multiplicity of suits.

11. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of complainant's property the sum of Twenty-nine Thousand Dollars per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335, and 1336, of the Code of Iowa of 1897, as amended.

12. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$29,000.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379, and 1382, of the Code of Iowa, as amended, and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to [fol. 533] the United States Constitution.

14. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction

as prayed, for the reason that the act of said defendants, acting as the Executive Council of the State of Iowa in certifying or utilizing as the value of complainant's property for taxation purposes the sum of \$29,000.00 per mile while other railroads are assessed as a lesser proportion of their actual value, constitutes a discrimination against this complainant, and denies to it the equal protection of the laws and takes from it its property without due process of law; for the reason that complainant as a member of the class of persons owning a railroad property in the State of Iowa is discriminated against because the value of complainant's property for taxation purposes is fixed at a higher percentage of its actual value than is other property of the same class.

15. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant temporary injunction as prayed, for the reason that the act of the defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for the purpose of taxation the sum of \$29,000.00 per mile, constitutes a discrimination against this complainant, for the reason that other railroads in the State of Iowa are assessed at a lesser proportion of the actual value of their respective properties, all as was shown by evidence adduced, and said court by so denying said injunction denies to this complainant the equal protection of the law and takes from it its property without due process of law.

16. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction as prayed, for the reason that the evidence adduced upon the trial shows that the act of said defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of complainant's property for taxation purposes the sum of \$29,000.00 per mile constitutes a discrimination against this complainant because of the fact that other railroads are assessed — a lesser proportion of their actual value, and by so denying said injunction it denies to this complainant the equal protection of the laws and takes from it its property without due process of law, all contrary to the Fourteenth Amendment to the Constitution of the United States. [fol. 535] In printing the record, the appellant directs that all of the same as certified by the Clerk of the District Court, in and for the Southern District of Iowa, be printed except Exhibits 1, 2 and 3 and the parts of said exhibits as follows:

From Exhibit 1, a report to the special tax commission of the state of Iowa, include in the printed record the title page, letter of transmittal which immediately precedes the preface, the preface, Chapter 2 of said exhibit, being pages 17 to 40, inclusive, and that part of Chapter 4 commencing with page 59, to and including that part of page 63 ending with the heading "Taxation of Moneys and Credits."

From Exhibit 2, a bulletin of census of the United States of 1920, relative to agricultural statistics of Iowa and its counties, print only pages 1 and 3, and the first column of printed matter and the first

column of figures under the heading "The State" on page 12 thereof.

From Exhibit 3, which is bulletin 874 of the United States Department of Agriculture, relative to farm lands in Iowa, print therefrom the title page and that part thereof commencing with page 1, down to and including the first paragraph on page 5.

Chicago Great Western Railroad Company, By Ralph M. Shaw, Walter H. Jacobs, Clifford V. Cox, Wm. F. Riley, Donald Evans, Its Solicitors.

[fol. 536] [File endorsement omitted]

Endorsed on cover: File No. 29335. S. Iowa, D. C. U. S. Term No. 192. Chicago, Great Western Railroad Company, appellant, vs. Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of the State of Iowa, et al. Filed January 8th, 1923. File No. 29335.

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1924
in old Trans. for Appellant
TRANSCRIPT OF RECORD.

for the State -
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1924

No. 28

**CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
APPELLANT,**

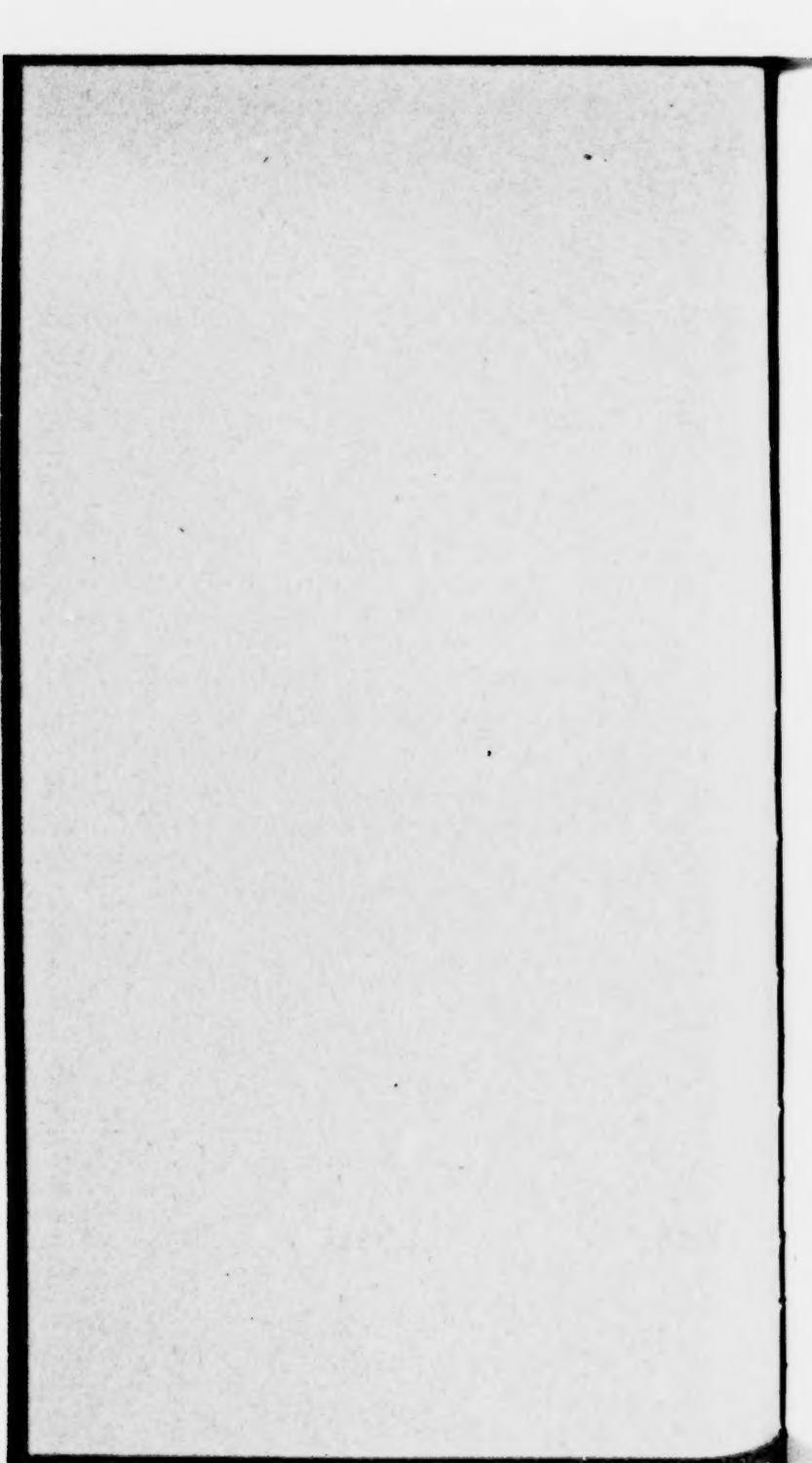
vs.

**ATHAN E. KENDALL, GOVERNOR OF THE STATE OF
IOWA; WALKER C. RAMSAY, SECRETARY OF STATE
OF IOWA; GLENN C. HAYNES, AUDITOR OF THE
STATE OF IOWA, ET AL.**

**APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA.**

FILED JANUARY 8, 1923.

(29,336)



(29,336)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1923.

No. 193.

CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
APPELLANT,

vs.

NATHAN E. KENDALL, GOVERNOR OF THE STATE OF
IOWA; WALKER C. RAMSAY, SECRETARY OF STATE
OF IOWA; GLENN C. HAYNES, AUDITOR OF THE
STATE OF IOWA, ET AL.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA.

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[fol. 1]

[File Endorsement Omitted]

IN THE

**DISTRICT COURT OF THE UNITED STATES, SOUTHERN
DISTRICT OF IOWA, CENTRAL DIVISION**

In Equity. No. 4198

**THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY, Com-
plainant,**

v.

**NATHAN E. KENDALL, Governor of the State of Iowa; WALTER C.
Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor
of State of Iowa; W. J. Burbank, Treasurer of State of Iowa, In-
dividually and as Members of the Executive Council of the State
of Iowa, and R. E. Johnson, as Secretary of the Executive Council
of the State of Iowa and Individually, Defendants.**

CITATION AND SERVICE—Filed November 10, 1922

THE UNITED STATES OF AMERICA, *vs.*

The President of the United States to the above-named defendants,
Nathan E. Kendall, Governor of the State of Iowa; Walter C.
Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of
State of Iowa; W. J. Burbank, Treasurer of State of Iowa, indi-
vidually and as members of the Executive Council of the State of
Iowa, and R. E. Johnson, as Secretary of the Executive Council
of the State of Iowa and individually, and their attorneys, and to
Ben J. Gibson, Attorney General of the State of Iowa, E. J. Flick,
and J. H. Henderson, their attorneys, Greeting:

You are hereby cited and admonished to be and appear at and
before the Supreme Court of the United States at Washington, D. C.
within thirty (30) days from the date hereof, pursuant to appeal
filed in the Clerk's office of the District Court of the United States
for the Southern District of Iowa, Central Division, wherein The
Chicago, Rock Island & Pacific Railway Company is complainant,
and Nathan E. Kendall, Governor of the State of Iowa; Walter
[fol. 2] C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes,
Auditor of State of Iowa; W. J. Burbank, Treasurer of State of Iowa,
individually and as members of the Executive Council of the State
of Iowa; and R. E. Johnson as Secretary of the Executive Council
of the State of Iowa, and individually, are defendants, to show cause,
if any there be, why the judgment in such appeal mentioned be not
corrected and speedy justice should not be done in their behalf.

Witness the Honorable Martin J. Wade, Justice of the District Court of the United States for the Southern District of Iowa, Central Division, this 10th day of November, 1922.

Martin J. Wade, United States District Judge, Southern District of Iowa, Central Division.

Service of the within Citation and receipt of copy thereof admitted this 11th day of November, 1922.

Ben J. Gibson, Solicitors for Appellee.

[fol. 3]

CAPTION

Pleas and proceedings before the Honorable Martin J. Wade, Judge of the District Court of the United States for the Southern District of Iowa, in a cause lately pending in said court wherein the Chicago, Rock Island & Pacific Railway Company is complainant and Nathan E. Kendal, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, Secretary of the Executive Council of the State of Iowa, and individually, are defendants, being numbered 4198, Equity, Central Division.

Be it remembered that on the 27th day of July, A. D. 1922, a bill of complaint was filed in the case of the Chicago, Rock Island & Pacific Railway Company against Nathan E. Kendall, Governor of the State of Iowa, et al., in said Court at Des Moines, Iowa, which said bill of complaint is in words and figures as follows:

[fol. 4] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

BILL OF COMPLAINT—Filed July 27, 1922

To the Honorable Judge of the District Court of the United States in and for the Southern District of Iowa:

The Chicago, Rock Island & Pacific Railway Company, Complainant, a corporation created and organized under and by virtue of the laws of the States of Illinois and Iowa, having its principal place of business at Chicago in Cook County in the State of Illinois, brings this, its Bill of Complaint, against Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burbank, Treasurer of State of the State of Iowa; and R. E.

Johnson, Secretary of the Executive Council of the State of Iowa, as defendants; and thereupon complainant states:

Par. 1. That the Chicago, Rock Island & Pacific Railway Company is a corporation for pecuniary profit, duly organized and existing under and by virtue of the laws of the States of Illinois and Iowa and has its principal place of business in the State of Illinois in [fol. 5] the County of Cook.

Par. 2. That the defendant, Nathan E. Kendall, is a citizen and resident of the State of Iowa and of the Southern District thereof and occupies the position of Governor of said State; that the defendant, Walter C. Ramsay, is a citizen of the State of Iowa and resides in Des Moines, Polk County, Iowa, and occupies the position of Secretary of State of the State of Iowa; that the defendant, Glenn C. Haynes, is a citizen of the State of Iowa and resides in Des Moines in Polk County, Iowa, and occupies the position of Auditor of State of the State of Iowa; that the defendant W. J. Burbank, is a citizen of the State of Iowa and resides in the City of Des Moines, Polk County, Iowa, and occupies the position of Treasurer of State of the State of Iowa; that the defendant, R. E. Johnson, is a citizen of the State of Iowa and resides in the City of Des Moines, Polk County, Iowa, and occupies the position of Secretary of the Executive Council of the State of Iowa.

That the said defendants, Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes, and W. J. Burbank constitute, under the laws of the State of Iowa, the Executive Council of the State of Iowa.

Par. 3. That the matter in controversy herein exceeds, exclusive of interest and costs, the sum or value of Three Thousand (\$3,000.00) Dollars.

Par. 4. That this is a suit of a civil nature in equity to enjoin the attempted assessment of the property devoted to railroad purposes of the complainant in the State of Iowa at a rate and upon a basis greater than the assessment of other classes of property subjected to taxation in the State of Iowa, and arises under the Constitution of [fol. 6] the United States and especially under the Fourteenth Amendment thereto, providing that no state shall deprive any person of his property without due process of law nor deny to any person the equal protection of the laws.

Par. 5. That the complainant owns, operates and maintains a system of railroad in the State of Iowa, as a part of its system of railroad in the States of Illinois, Minnesota, Nebraska, Missouri, and other states of the Union, and is engaged in the business of a common carrier of freight and passengers for hire and as such is subject to the laws of the State of Iowa and of the United States in such cases made and provided.

Par. 6. That it is provided in and by Section 6 of Article I of the Constitution of the State of Iowa that "all laws of a general nature shall have a uniform operation; the general assembly shall not grant

to any citizen or class of citizens, privileges or immunities, which upon the same terms shall not equally belong to all citizens."

It is also provided by Section 2 of Article 8 of the Constitution of Iowa that "the property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."

Par. 7. That by the terms of Chapter 7, Title II, of the Code of Iowa, as amended, the Governor, Secretary of State, Auditor, and Treasurer of State constitute the Executive Council; and any three of them shall constitute a quorum. No deputy of either of such officers shall act in said Council for his principal; that the Executive Council shall choose a Secretary to hold office during its pleasure and the Secretary shall keep a journal, in which shall be entered all the doings of the Council.

[fol. 7] Par. 8. That in and by Section 1305 of the Code of Iowa, as amended it is provided:

"All property subject to taxation shall be valued at its actual value, which shall be entered opposite each item, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade."

And by Section 1334, *a*, *b*, and *c*, of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred thirty-four of the supplement to the code shall, on or before the first day of April, nineteen hundred and five, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December thirty-first, nineteen hundred and four, for railway purposes, in each county, in the state in which said real estate is situated, including the right of way, roadbed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, roundhouses, machine and repair shops, water tanks, turntables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof, in such manner as may be required by the executive council. Only one such detailed statement by any corporation shall be necessary, and when received by the executive council it shall become the record of railway lands of such corporation, and be deemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite to the description of said tract in the original report of the same in the record of railway land."

"The executive council shall, by some convenient method of binding, arrange the statements required to be made under the provisions of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands."

"Subsection three of the law as it appears in section thirteen hundred thirty-four of the supplement to the code (1902) and all other statutes or parts of statutes in conflict herewith are hereby repealed."

[fol. 8] That by Sections 1335 and 1336 of the Code of Iowa, it is provided as follows:

"There shall not be included in said operating expenses any payments for interest or discount, or construction of new tracks except needed sidings, for raising or lowering tracks above or below crossings at grade in cities or towns, for new equipment except replacements, for reducing any bonded or permanent debt, nor for any other item of operating expenses not fairly and reasonably chargeable as such in railway accounts. The council may demand, in writing, detailed, explanatory, and amended statements of any of the items mentioned in the preceding section, or any other items deemed by it important, to be furnished it by such railway corporation within thirty days from such demand, in such form as it may designate, which shall be verified as required for the original statement. The returns, both original and amended, shall show such other facts as the council, in writing, shall require."

"The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January first, preceding, and any and all matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

That in and by Section 1337 of the Supplement to the Code of Iowa, as amended, it is provided as follows:

"On or before the third Monday in August of each year, the council shall transmit to the county auditor of each county, through and into which any railway may extend, a statement showing the length of the main track within the county, and the assessed value per mile of the same, as fixed by a ratable distribution per mile of the assessed valuation of the whole property."

That in and by Section 1378 of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"The executive council shall constitute the state board of review, and shall meet at the seat of government on the second Monday of July in each year. The auditor of state shall lay before it the abstracts transmitted to him by the auditor, as required by the preceding section."

[fol. 9] That in and by Section 1379 of the Code of Iowa, it is provided as follows:

"It shall adjust the valuation of property of the several counties, adding to or deducting from the valuation of each kind or class of property such percentage in each case as will bring the same to its taxable value as fixed in this chapter."

And in and by Section 1382 of the Supplement to the Code of Iowa, 1913, it is provided as follows:

"The Board shall keep a record of its proceedings, and finish its review and adjustment on or before the third Monday of August. The county auditor shall thereupon add to or deduct from the valuation of each kind or class of property in his county the required percentage, rejecting all fractions of fifty cents or less in the result, and counting all over fifty cents as one dollar."

That in and by Section 1400 of the Supplement to the Code of Iowa, 1913, it is provided that taxes upon real estate shall be a lien thereon against all persons except the state.

Par. 9. Complainant further states that pursuant to the provisions of the said statutes of the State of Iowa and within the time and in the manner as thereby specified this complainant filed with the said Executive Council of the State of Iowa the plats and reports required to be filed by it; that on, to-wit: July 11, 1922, the same being the second Tuesday in July of said year, pursuant to the provisions of said statutes, the said Executive Council of the State of Iowa conducted a hearing, at which this complainant, by its representatives, appeared concerning the assessment of its property subject to the jurisdiction of said Council as in said statutes prescribed and thereafter the said Executive Council of the State of Iowa gave consideration to and deliberated upon the assessment of the property of this complainant, subject to its jurisdiction, for the purposes of taxation for the year of 1922; and on, to wit July 26, 1922 did fix the assessment of the property of this complainant, subject to its jurisdiction, at the sum of Thirty Thousand Four Hundred (\$30,400.00) Dollars a mile or 2,202,335 miles of railroad owned and operated by this complainant in the State of Iowa; did fix its assessment at Sixty-six million nine hundred fifty thousand nine hundred eighty four (\$66,950,984.00) Dollars and this complainant is informed and believes and, therefore, avers that the said Executive Council of the State of Iowa, and the said Defendants who constitute

the same, will, unless restrained and enjoined by the order of this Honorable Court, immediately proceed to transmit to the county auditor of each county, through and into which its railway extends, a statement showing the length of the main track within the county and the assessed value per mile of the same as fixed by ratable distribution per mile of the assessed valuation of the whole property, as aforesaid, all in accordance with the provisions of said Section 1337 of the Supplement to the Code of Iowa, as amended.

Par. 10. That it is provided in and by Section 1377 of the Code of Iowa as follows:

"Each auditor shall, on or before the third Monday in June, make out and transmit to the auditor of state an abstract of the real and personal property in his county, in which he shall set forth:

1. The number of acres of land and the aggregate actual and taxable value of the same, exclusive of town lots, returned by the assessors, as corrected by the county board of review;

2. The aggregate actual and taxable values of real estate in each township, city and town in the county, returned as corrected by the county board of review;

3. The aggregate actual and taxable values of personal property;

4. An abstract as to the number and value of all animals as the same are returned by the assessor, showing the aggregate actual and taxable values and number of each kind or class, and such other facts as may be required by the state board of review."

[fol. 11] Par. 11. And thereupon said complainant avers that at the time and in pursuance of the provisions of said sections, the said Auditor of State did lay before the said Executive Council their abstracts transmitted to him by the auditors of the various counties as in said sections prescribed; and that the said Executive Council, at the times and in pursuance to the provisions of the said statutes, did undertake to adjust the valuation of the property of the several counties by adding to or deducting from the valuation of each kind or class of property such percentage in each case as in its judgment brought the same to its taxable value as fixed in this chapter.

Par. 12. That as disclosed by said abstract so laid before the said Executive Council of the State of Iowa there was at the time of said action by the said Council in the state of Iowa and subject to assessment and taxation 34,368,516 acres of farm lands; that the aggregate assessment of such farm lands as so adjusted by the said Executive Council of the State of Iowa and as will be returned to the auditors of the various counties of the said state, to-wit, was \$2,612,007,216.00, or at the rate of \$76.00 per acre upon the average.

That the real value of farm lands in the State of Iowa in the market in the ordinary course of trade and also the reasonable value thereof in the year 1922 was and is in excess of \$200.00 per acre, or the aggregate value of all acreage of such lands subject to assessment and taxation in said state was in excess of the sum of \$6,873,703,200.00.

Complainant thereupon avers that by the action of the assessors of the various counties of the State of Iowa as reviewed and adjusted [fol. 12] by the said defendants so constituting the Executive Council of the State of Iowa, the value of said farm lands in said state so fixed for the purpose of assessment and from which the basis or taxable value is computed under the laws of said state in truth and in fact represents but 38 per cent of the real value of said lands in the market in the ordinary course of trade of the same, and of the reasonable value thereof. Complainant avers that the value of farm lands in the state of Iowa constitutes and comprises a substantial proportion of the value of the entire property in the state of Iowa subject to assessment and taxation for state, county, municipal, school district and other purposes.

Par. 13. This complainant avers that the value of its property in the state of Iowa used and useful for railroad purposes and subject to assessment under the laws of said state by the said Executive Council does not exceed 90 millions of dollars. That said complainant owns and operates in said state 2,202,335 miles of railroad, and that the value of its said railroad property so subject to assessment by said Executive Council therefore does not exceed \$40,500.00 per mile. But this complainant avers that the value of its property used and useful for railroad purposes and subject to assessment by said Executive Council under said laws within the intent and purposes of the constitution and laws of the state of Iowa, when considered in the light of the assessment of farm lands in said state as hereinbefore averred, is not in excess of \$15,390.00 a mile, one-fourth or 25 per cent of such value being required by the law to be set opposite each item of such property and to be taken and considered as the taxable value of such property upon which the levy shall be made. [fol. 13] And thereupon this complainant shows to the court that it is willing to and will pay such lawful taxes as are levied upon 25 per cent (being the percentage of such value subject to taxation under the laws of said state) of said sum of \$15,390.00 per mile, or upon such other sum as this court may determine to represent the fair and equitable value of its property per mile as compared to the tax burdens imposed upon farm lands in said state.

Par. 14. Said complainant avers that the authorities in said state to whom has been delegated the authority of fixing the assessments of property for the purposes of taxation during the year 1922 and for many years prior thereto have habitually, intentionally, systematically and generally assessed farm lands as the property of individuals at a rate far under the real value of such lands in the market thereof in the usual course of trade and under the reasonable value thereof; that such systematic assessment upon such basis is and for many years past has been a matter of public notoriety in the state; that the fact that such assessors have indulged in such habitual, intentional, systematic and general custom in so assessing farm lands at materially less than the real value thereof in the market in the usual course of trade was known to the said defendants at and prior to the time of the taking of said action by them as said Executive

Council of the State of Iowa in so adjusting said assessments and in so finding the assessment of the property of this complainant for the purpose of taxation in said state. That notwithstanding the knowledge on the part of said defendants and each of them as to such habitual, intentional, systematic and general custom on the part of [fol. 14] the assessors with respect to the assessment of farm lands in said state, and notwithstanding the action of the said defendants so constituting the said Executive Council of said state in adjusting the assessment of farm lands as hereinbefore stated, nevertheless the said Council and the said defendants as members thereof did knowingly and intentionally, and over the protest and objections of this complainant, fix its assessment at said sum of \$30,400.00 per mile, or at to-wit, 75% *per cent* of its real value as hereinbefore averred.

Par. 15. Complainant further avers that as a result of the said habitual, intentional, systematic and general custom on the part of the assessing officers of said state with respect to the assessment of farm lands in said state and of the action of the said defendants so constituting the said Executive Council of said state, that this complainant is thereby threatened with the imposition of an undue and discriminatory portion of the tax burdens of said state, contrary to the provisions of the constitution of the state of Iowa as hereinbefore alleged, and contrary to the Fourteenth Amendment to the Constitution of the United States.

Par. 16. Said complainant is informed and believes, and therefore avers, that unless restrained by order of this honorable court the said defendants, or their agents and employees, will proceed immediately to certify to the auditors of the various counties in the state the said value so fixed of the property of this complainant for the purposes of taxation ratably in accordance with the mileage of the railroad of this complainant in each such county; and this complainant shows to the court that as a result of such certification, and in order to avail [fol. 15] itself of its rights under the law, it would be compelled to resort to many actions at law or in equity and would be subjected to a multiplicity of suits.

This complainant further shows to the court that the certification of such assessed value would be followed, as by the laws of said state provided, by the determination of a tax levy in each of the counties and municipal subdivisions of said state, and that upon the pronouncement of such levies as applicable to such value so fixed by said defendants for the purpose of taxation, the title of this complainant to its property would be impressed with a cloud, and various persons would assert the existence of a lien under the laws of said state upon the property of this complainant for such tax charges so resulting from such unequal, discriminatory, inequitable and illegal assessment.

Said complainant shows to the court that it is without an adequate remedy at law in the premises and will sustain irreparable injury and damage by reason of the necessity of resorting to various and sundry actions to prevent the imposition of such wrongful and illegal charges against its property, including expenditures of money for

court costs and counsel fees, as well as in other respects, unless the said defendants and each of them, who constitute the Executive Council of the state of Iowa and its secretary, their agents and employes and all persons acting by, through or under their authority or directions be restrained pending the determination of this action from certifying such value so fixed as hereinbefore alleged; and thereupon complainant charges:

First. That the action of the said defendants in so fixing as the assessed value of the property of this complainant the said sum of \$30,400.00 a mile, or said aggregate sum of \$66,950,984.00 is wholly [fol. 16] void, in that said action is contrary to and violative of the provisions of Article VIII, Section 2, of the Constitution of Iowa, and of Sections 1305, 1334, 1335 and 1336 of the Code of Iowa as amended, all as hereinbefore set forth and averred, in that the said action of the said defendants is contrary to the express conditions contained in said provisions of said constitution of said state and said laws of said state.

Second. That the said act of the said defendants in so fixing the assessment of the property of this complainant for the purpose of taxation at the sum of \$30,400.00 a mile, or the aggregate sum of \$66,950,984.00 in the state of Iowa, denies to this complainant the equal protection of the laws, and therefore is contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

Third. That if the act of the said defendants so constituting the said Executive Council of the State of Iowa in fixing the assessment of the property of this complainant for the purposes of taxation at said sum of \$30,400.00 a mile, or \$66,950,984.00 in the state of Iowa, is construed to be in accordance with said Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382 as amended of the Code of Iowa, then the said sections of the said code of Iowa as amended, and each of them, are unconstitutional and void, in that the said complainant is thereby subjected to pains, penalties and burdens different from and greater than other property in the state of Iowa, to-wit: farm lands, as hereinbefore averred, and would be compelled to bear an unequal and inequitable and illegal proportion of the burdens of state, county and municipal taxation as hereinbefore averred, all in contravention of the provisions of the Fourteenth Amendment to the [fol. 17] Federal Constitution.

Wherefore, and for as much as complainant is remediless in the premises, according to the common law, and remediable only in equity, and to the end that complainant may not be subjected to a multiplicity of suits, which will otherwise result, and will not suffer irreparable injury and damage, and may be permitted to pursue and carry on its business without unlawful hindrances or obstructions, and that the railroad of complainant may be operated in the State of Iowa as aforesaid, and its other property therein may not be subjected to illegal liens and clouds, complainant prays that a writ of

subpoena be issued against the defendants, and each and every one of them named and described, to appear and fully submit and make answer to this bill of complaint, but not under oath, answer under oath being expressly waived, and,

That the said defendants, and each and every one of them, their agents, servants and employes, and all other persons acting under or through their authority, or authority of their offices, respectively, be enjoined by final decree, and, meanwhile, by preliminary injunction, as follows, to wit:

That the said defendants, Kendall, Ramsay, Haynes and Burbank, and each of them, individually and as members of the Executive Council of the State of Iowa, be enjoined and restrained from apportioning to any of the Auditors of any of the Counties in the State of Iowa, or to any other taxing district in the State of Iowa, the aforesaid so-called assessment, or any part thereof, for taxation or for extension of tax rates thereof:

That the said defendant Johnson, individually and as Secretary of the Executive Council of the State of Iowa, be enjoined and restrained [fol. 18] from certifying to the said County Auditors, or any of them, or any officers of the Counties into or through which the line of railroad of complainant extends, in the said State of Iowa, the aforesaid so-called assessments:

That the said defendants, Kendall, Ramsay, Haynes and Burbank, individually and as comprising the Executive Council of the State of Iowa, be restrained and enjoined from levying or making or fixing any assessment of the property of the complainant in the State of Iowa, subject to their jurisdiction, for the purpose of taxation, at an assessed value in excess of \$15,390.00 per mile, or such sum as the court may find just and equitable in the premises, and

That the said defendants and each of them, individually or under color of their said respective offices, be restrained and enjoined from certifying to the Auditors of the various counties into and through which the lines of the said complainant extend, or to the officer of any taxing district in the said State of Iowa any assessment of the property of the complainant, either as the assessed value or as the taxable value thereof, in excess of such amount:

That upon final hearing of this cause and the rendition of the final judgment, that the said attempted assessment of the property of this complainant by the said defendants, as comprising the Executive Council of the State of Iowa, in the sum of \$30,400.00 per mile, assessed value, be held null and void and of no effect upon the grounds, and for the reasons set out and alleged in this bill of complaint, and upon such other grounds and for such other grounds as to this Honorable Court may seem just and reasonable, and may to this Honorable Court be found to exist:

[fol. 19] And said complainant prays that meanwhile a temporary restraining order be issued in accordance with its prayer, for aforesaid preliminary injunction, and in order that said complainant may not suffer the irreparable injury and damage that it otherwise would suffer, as is alleged and charged in the said bill of complaint.

Said complainant further prays for such other and further relief in the premises as to this Honorable Court may seem equitable and just.

(Sgd.) W. F. Dickinson, (Sgd.) W. F. Peter, (Sgd.) J. G. Gamble, Counsel for Complainant.

[Filed endorsement omitted.]

[fol. 20] STATE OF IOWA,
County of Polk, ss:

J. G. Gamble, being first duly sworn says that he is Attorney for Iowa of the complainant, The Chicago, Rock Island & Pacific Railway Company, and his office is in Des Moines, Polk County, Iowa; that he has read the foregoing Bill of Complaint and knows the contents thereof, and that the statements and allegations in said Bill of Complaint are true, except as stated, on information and belief; and that he believes such allegations so made to be true.

(Sgd.) J. G. Gamble,

Subscribed and sworn to by the said J. G. Gamble this 27th day of July, A. D. 1922. (Sgd.) M. Helen Thompson, Notary Public. (Seal.)

[fol. 21] And thereafter to wit: On the 27th day of July, A. D. 1922, there was filed in said cause an order fixing time for hearing of application for injunction and order for temporary restraining order, which is in words and figures as follows:

[fol. 22] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER FOR TEMPORARY RESTRAINING ORDER—Filed July 27, 1922

Complainant, upon filing its bill herein, moves the court to grant it an injunction pendente lite in accordance with its prayer in its bill, and said motion is now set for hearing on the 21st day of August, 1922, at ten o'clock in the court room of this court, City of Des Moines, Iowa, and it having been made to appear by the averments of complainant's bill, which is duly verified, that there is danger of irreparable loss to complainant before the hearing of said application for said injunction can be had unless defendants herein are, pending said hearing, enjoined and restrained as prayed in complainant's said bill.

It is, therefore, ordered that a temporary restraining order be and it is granted, and that the defendants, Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually, and [fol. 23] as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually, and as Secretary of the Executive

Council of the State of Iowa, be enjoined and restrained, pending the further order of this court, from certifying to the Auditors of the various counties in the state to or through which the lines of the railroad of complainant extend, or to the officers of any other tax district of the state, the value on any ratable portion thereof, heretofore fixed by said Executive Council of the said state, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per centum of said value as the taxable value or until further orders herein from making, fixing or certifying any other assessed values of the property of the complainant, in excess of \$15,390.00 per mile.

Done this 27 day of July, 1922, at 4.30 P. M.

(Signed) Martin J. Wade, United States District Judge.

[File endorsement omitted.]

[fol. 24] And thereafter to wit: On the 1st day of August, A. D. 1922, there was filed in said cause an Order continuing Restraining Order, which is in words and figures as follows:

[fol. 25] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER CONTINUING RESTRAINING ORDER—Filed Aug. 1, 1922

Now on this 1st day of August, A. D. 1922, the parties hereto appearing by Counsel, and by consent of Counsel, the restraining order heretofore issued is hereby continued in force until further order of this Court and hearing upon Complainant's application for temporary injunction shall be fixed by later order of this Court at some time prior to September 1, 1922.

Said restraining order is hereby modified by striking from the third line from the end thereof the words "making, fixing or."

Done this 1st day of August, 1922.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 26] And thereafter to wit: On the 19th day of August, A. D. 1922, there was filed in said cause a Stipulation which is in words and figures as follows:

[fol. 27] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA

[Title omitted]

STIPULATION AS TO LAND VALUE—Filed Aug. 19, 1922

Come now the parties to the above entitled cause and for the purpose of facilitating the hearing upon the application for a temporary

injunction hereby stipulate and agree that upon the hearing of the application for a temporary injunction the introduction of evidence as to the market value of farm lands as contemplated by section 1305 of the Code of Iowa, 1897, on January 1, 1922, and August 1, 1922, is hereby waived and in lieu of the introduction of such evidence it is agreed that such evidence would show, if introduced, the average value of such lands on said dates to be one hundred twenty-five (\$125.00) per acre.

Nothing in this stipulation contained shall be construed to limit either party hereto in the production of evidence as to such land values upon the final hearing in this cause.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Attorneys for
Complainant. Ben J. Gibson, Attorneys for Respondents.

[File endorsement omitted.]

[fol. 28] And thereafter to wit: On the 26th day of August, A. D. 1922, there was filed in said cause an Order continuing restraining order which is in words and figures as follows:

[fol. 29] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTH-
ERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ORDER CONTINUING RESTRAINING ORDER—Filed Aug. 26, 1922

The application of complainant for temporary injunction in the above entitled cause is hereby continued to a date to be later fixed by the court, not later, however, than October 5, 1922, and by agreement of the parties hereto, the restraining order heretofore issued herein is continued in effect until further order of the court.

(Sgd.) Martin J. Wade, U. S. District Judge.

[File endorsement omitted.]

[fol. 30] And thereafter to wit: On the 2nd day of October, A. D. 1922, there was filed in said cause an Order continuing temporary restraining order, which is in words and figures as follows:

[fol. 31] (Copy)

IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT
OF IOWA, CENTRAL DIVISION

≡ 4198. Eq.

[Title omitted]

ORDER—Filed Oct. 2, 1922

And now on this 2nd day of October, 1922, by agreement of parties, it is ordered that the temporary restraining order heretofore

issued herein, shall be continued until the hearing upon temporary injunction is heard and disposed of.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 32] And thereafter to wit: On the 23rd day of October, A. D. 1922, there was filed in said cause a Resistance by defendants which is in words and figures as follows:

[fol. 33] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESISTANCE—Filed Oct. 23, 1922

To the Honorable Judge of the District Court of the United States
in and for the Southern District of Iowa:

Come now Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of the State of Iowa; Glenn C. Haynes, Auditor of State of the State of Iowa; W. J. Burlank, Treasurer of State of the State of Iowa; and R. E. Johnson, Secretary of the Executive Council of the State of Iowa, and show to the court that they have just grounds for resistance to the issuance of a temporary or interlocutory injunction as prayed for in the bill of complaint of the complainant herein, and just grounds upon which they believe that said bill of complaint should be dismissed, and they do hereby resist said application for a temporary or interlocutory injunction, and as grounds for such resistance show to the court each and all of the matters and things, to wit:

1. It affirmatively appears upon the face of said bill of complaint that the suit of the complainant is in effect a suit against the sovereign [fol. 34] State of Iowa, which suit is brought without the consent of the State of Iowa, and such consent is expressly withheld.

2. It appears upon the face of the bill of complaint that the complainant is attempting and seeking to interfere with, dislocate and stop the functioning of the government of the State of Iowa, and therefore the application for temporary injunction should be denied and the complaint dismissed.

3. That this court has no jurisdiction of this controversy or of the persons of the defendants or of the subject matter of the suit.

4. That this complainant has a full, complete and adequate remedy at law.

5. That there is no equity in the bill of complaint.

6. It affirmatively appears upon the face of the bill that there is no diversity of citizenship between the complainant and the defendants such as is requisite to sustain the jurisdiction of this court, no

Federal question being raised or presented by the bill, and it affirmatively appearing from the face of the bill that the complainant is a citizen and resident and an inhabitant of the State of Iowa.

7. The bill upon its face seeks to review, interfere with and control the exercise of the judgment, discretion and power reposed in the defendants under and by virtue of the provisions of the laws of the State of Iowa.

8. This suit is an unwarranted, unjustified and illegal attempt to secure judicial invasion of the legislative and executive powers vested by the constitution of the State of Iowa and the laws of the State of Iowa in the legislative and executive departments of the government of the State of Iowa.

9. It affirmatively appears from the face of the bill of complaint that the property of the complainant has been assessed for taxation at less than its actual value and at less than the statutes of the State [fol. 35] of Iowa require that the same shall be assessed, and therefore it has no just grounds for complaint, and alleges no equitable right to injunctive relief.

10. This suit is in effect a collateral attack upon the actions of the several assessorial bodies of the State of Iowa over which this court has no jurisdiction.

11. No offer or tender of taxes, conceded to be and which the court finds to be due, has been made or tendered to any of the several taxing districts of the State of Iowa without demanding a receipt in full.

12. No irreparable injury or damage to the complainant will result by a denial of injunctive relief, while the granting of such relief will dislocate and paralyze the functioning of the State of Iowa.

13. The decisions of officers and tribunals specially created and charged in tax laws of the State of Iowa with the duty of valuing property for taxation, and equalizing such valuation, are final and conclusive.

14. Inequalities in valuations made under a valid law of property subject to taxation do not constitute grounds for enjoining the assessment of the tax in the absence of a clear showing of fraudulent discrimination upon the part of officers and agents charged by the law with the duty of making the valuations of the property which it is alleged has been discriminated against.

15. The Executive Council of the State of Iowa acts as an original assessing body only as to those classes of property expressly provided by statute to be assessed by it, and as to the assessment of such classes of property the exercise of its discretion, in the absence of fraud, is final and conclusive.

16. The Executive Council of the State of Iowa, sitting as a Board of Review, has not power or jurisdiction to assess any prop-

erty in the State of Iowa, but has power and jurisdiction only to [fol. 36] equalize assessments already made as to certain classes of property between and among the several counties of the state.

17. The bill does not claim that, or present the question whether all railroad property has been over-assessed, or relatively over-assessed, as compared with farm lands or other property within the State; but complainant only claims that its property has been assessed relatively more than a certain other general class of property; in other words, the bill presents only the complaint of an individual tax payer, that its property has been assessed by the Executive Council at a relatively greater valuation (not at less than its actual value) than a certain other general class of property, namely, farm lands. The court has no jurisdiction to entertain complainant's suit or to grant the complainant injunctive relief.

18. The bill of complaint shows on its face that the reason for the objection to the valuation placed by the Executive Council on the property of the complainant is the fact that farm property within the State of Iowa has been for the purpose of assessment, as alleged by the complainant, under valued by the Executive Council, and the defendants show to the court that under the laws of the State of Iowa the Executive Council has no jurisdiction to, and they have not valued farm property for taxation; further, that farm property is not in the same class of property as that of complainant herein.

19. The defendants for further resistance to the bill of complaint allege that the farm lands of Iowa constitute approximately 51 per cent of the total assessed property of the state. That complainant's property constitutes less than 1 per cent of the total assessed property.

Defendants further aver that the claim of the complainant in this suit is: that there has been an unjust discrimination in favor of farm lands. The defendants aver, however, that other large classes of property within the state of Iowa have been assessed at sub-[fol. 37] stantially 100 per cent of their value, and that to grant relief in this case would work an irreparable injury to such other classes of property, and to impose an unjust burden upon such classes of property without leaving the tax payers represented in each of such classes of property a just and adequate remedy at law.

It is further averred in this connection that in determining whether or not there has been an unjust discrimination or an unjust burden imposed upon the complainant, that all of the classes of property within the state of Iowa subject to assessment are to be considered in determining the average percentage or burden of taxation borne by each of said several classes of property and the average burden borne by each individual property, and defendants further aver that the average burden borne by property as a whole must be considered, and that the average percentage at which all classes of property in the state are assessed must be considered, and defendants allege that taking into consideration all of the property of the state at the rate and value at which it is assessed that no unjust, unfair or

inequitable burden has been imposed upon the complainant's property.

20. The defendants further aver that under the laws of the State of Iowa the Executive Council is vested with a discretion of a legislative character for the purpose of fixing the value for assessment purposes of property within the class of complainant's property; that the properties within the class of complainant's property are assessed in an entirely different manner and upon an entirely different basis from other classes of property. The defendants aver that in the exercise of its discretion so vested in it the Executive Council acting in good faith and without fraud fixed the value of complainant's property for assessment purposes for the year 1922, and that by reason and by virtue of said facts the complainant is not entitled to the relief demanded, or to any relief in this suit.

[fol. 38] 21. The defendants further allege that under the laws of the state of Iowa real estate is not valued for assessment purposes in the year 1922; that the value fixed in the year 1921 carries over and becomes the valuation for the year 1922, with the exception of improvements and changes as provided by the laws of Iowa, and that, therefore, in truth, there has been no exercise of discretion by the assessing bodies of the State of Iowa as to real estate for the year 1922, and no discrimination of any kind by any of the assessing bodies of the state of Iowa as alleged in the bill of complaint.

22. The defendants further aver that if there has been any discrimination in fact, that the assessment for taxation of property, or of classes of property within the State of Iowa, either in the year 1922 or in any previous year thereto, the discrimination has been not against but in favor of railway properties, including the property of the complainant.

That the total assessed value as equalized and adjusted of all property within the State of Iowa, including town and city lots, farm lands, live stock and other property, excepting alone the railway property for the year 1913, and for each successive year thereafter, was as follows:

1913.....	\$3,553,632,382.00
1914.....	3,636,154,538.00
1915.....	3,735,532,144.00
1916.....	3,809,941,970.00
1917.....	3,885,086,617.00
1918.....	4,119,369,290.00
1919.....	4,477,992,626.00
1920.....	4,712,590,188.00
1921.....	4,809,023,005.00

That the total assessed values of complainant's property within the State of Iowa subject to assessment by the Executive Council for the year 1913 and for each successive year thereafter were as follows:

[fol. 39] 1913.....	\$64,344,361.00
1914.....	68,293,155.00
1915.....	68,293,155.00
1916.....	65,041,875.00
1917.....	68,272,385.00
1918.....	68,272,385.00
1919.....	68,272,385.00
1920.....	68,272,385.00
1921.....	68,272,385.00
1922.....	66,950,984.00

That the total assessed value of all railway properties within the State of Iowa subject to assessment by the Executive Council for the year 1913, and for each successive year thereafter, were as follows:

1913.....	\$320,426,884.00
1914.....	321,664,008.00
1915.....	324,600,368.00
1916.....	324,600,380.00
1917.....	325,753,908.00
1918.....	325,445,892.00
1919.....	324,857,796.00
1920.....	326,958,204.00
1921.....	329,971,735.20
1922.....	326,621,939.00

That by virtue of all of the facts pleaded in this paragraph, the complainant is not entitled to relief in this suit in an amount in excess of the difference between the valuation placed upon its property by the Executive Council of the State of Iowa in the year 1922, and the valuation placed upon its property for the years prior to 1922, in which valuations it acquiesced and upon which valuations it paid taxes over a long period of years without protest and without question; and by virtue of such facts complainant is estopped from claiming any relief in this suit to an extent greater than the amount of the difference between the valuation of its property as found by the Executive Council in 1922, and the valuation placed thereon by the Executive Council for years prior to 1922, in which valuation it acquiesced, as above alleged.

23. Further answering the bill of complaint the defendants aver that the complainant is not entitled upon the facts alleged in the bill of complaint to relief in this; that the claim of value upon which the alleged claim of discrimination is based, is not common to the two [fol. 40] classes of property, namely, complainant's property and farm lands. That there can be no claim of discrimination as against one class of property and in favor of another, except upon a common basis of value, and upon a common manner and method of fixing such value.

24. The defendants deny each allegation of each paragraph of the complainant's bill, not hereinafter admitted, and asks leave to submit proofs in connection therewith.

25. The defendants further allege that the Executive Council of the State of Iowa for the year 1922 reduced the total assessment of the complainant's property in the sum of \$600.00 per mile. That such reduction was below the amount at which the complainant's property had been assessed since 1913, and that during said period of time complainant's property has greatly increased in value as shown by the official reports of the Board of Directors of said complainant, the reports filed with the Interstate Commerce Commission of the United States of America, the reports filed with the Executive Council of the State of Iowa, the reports filed with the Railroad Commission of the State of Iowa, and that during the same period of time farm lands have been increased for assessment purposes as shown by the assessments of farm lands of the State of Iowa in the records and files of the Auditor of State of the State of Iowa. That by reason of said facts and by reason of all of the facts alleged and set out in this resistance the complainant is not entitled to any relief and this suit should be dismissed.

26. The defendants further allege that the complainant appeared before the Executive Council of the State of Iowa in the year 1922 and submitted reports and proofs as to values, which reports and proofs show that the assessment value of complainant's property as fixed by the Executive Council is fair, just and equitable, and that to grant a temporary injunction in this suit would work great and irreparable injury to the State of Iowa, and to each and every tax [fol.41] payer of the state of Iowa, and the defendants acting for and on behalf of said tax payers of the State of Iowa allege that the complainant is estopped from claiming any of the matters and things alleged in the bill of complaint, and is not entitled to equitable relief herein.

Wherefore, the defendants, Nathan E. Kendall, as Governor of the State of Iowa; Walter C. Ramsay, as Secretary of State of the State of Iowa; Glenn C. Haynes, as Auditor of State of the State of Iowa; W. J. Burbank, as Treasurer of State of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, pray that complainant's application for a temporary injunction herein be denied; that the restraining order heretofore issued herein be dissolved, and that they may go hence with their costs.

Ben. J. Gibson, Attorney General of Iowa; Bruce J. Flick,
Neil Garrett, J. H. Henderson, Solicitors for Defendants.

STATE OF IOWA,

Polk County, ss:

I, Ben J. Gibson, being first duly sworn depose and say: That I am Attorney General of the State of Iowa, and as such an attorney for Nathan E. Kendall, as Governor of the State of Iowa; Walter C. Ramsay, as Secretary of State of the State of Iowa; Glenn C. Haynes, as Auditor of State of the State of Iowa; W. J. Burbank, as Treasurer of State of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa; and have authority to make

this affidavit; that I have read and know the contents of the foregoing [fol. 42] resistance to application for temporary injunction, and that the statements, allegations and averments in said resistance contained are true, except such as are stated on information and belief, and as to such affiant believes the same to be true.

(Signed) Ben. J. Gibson.

Subscribed and sworn to before me and in my presence by Ben J. Gibson this 21st day of October A. D. 1922.
(Signed) Winogene Hobbs, Notary Public in and for Polk County, Iowa. (Seal.)

[File endorsement omitted.]

[fol. 43] And thereafter to wit: On the 1st day of November, A. D. 1922, there was filed in said cause a motion for conditional order by plaintiff, which is in words and figures as follows:

[fol. 44] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

4198. Equity.

[Title omitted]

MOTION FOR CONDITIONAL ORDER—Filed Nov. 1, 1922

Comes now the above named complainant and shows to the court: That on, to-wit: October 30, 1922, the court announced that it would enter an order denying the application of complainant for a temporary injunction and would file a memoranda opinion in said cause, but no order has been actually entered in said cause, and now, before the entry of an order in said cause, said complainant makes suggestion that said complainant desires to prosecute an appeal from said order when entered to the Supreme Court of the United States in accordance with the authority expressly provided by the terms of Section 263 of the Judicial Code as amended, and moves the court that in the formulation of its said order it include as a condition thereof a provision suspending its effective date until such appeal may be disposed of in the Supreme Court of the United States and as well upon any other conditions which to the court may seem just in the premises. And in this connection said complainant states that, if, as a condition of said order, it is provided, that the defendants may use or certify as an assessment of complainant's property an amount equivalent to sixty-one and three-tenths per cent of the value of its property as alleged in the bill of complaint that complainant will pay taxes levied upon such amount of assessment, or upon any other assessment, which to the court shall seem just and proper.

[fol. 45] And in support of said motion said complainant shows to the court that unless such order, when entered, is suspended pend-

ing the prompt and expeditious prosecution of an appeal therefrom that the right of appeal as conferred by the terms of such Section 253 of the judicial code as amended will be defeated and the fruits of a successful prosecution of such an appeal, if such should result, would be unavailing. That if the defendants, pursuant to such order, were permitted to use or certify the full amount of the assessment complained of that the questions involved in said application would become moot.

Wherefore said complainant prays judgment of the court.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Solicitors of
Complainant.

[File endorsement omitted.]

[fol. 46] And thereafter to wit. On the 3rd day of November, A. D. 1922, there was filed in said cause a Resistance to Motion for Conditional Order which is in words and figures as follows, to wit:

[fol. 47] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESISTANCE TO MOTION FOR CONDITIONAL ORDER—Filed Nov. 3,
1922

Come now the above named defendants and by way of resistance to the motion of complainant for a conditional order herein state:

1. That on October 30, 1922, after a full hearing on the application of complainant for a temporary injunction, it was announced by the court in open session, the three judges being present, that the application of complainant for a temporary injunction would be denied. Opportunity was given complainant at said time to save an exception to said order, which complainant did. The court then asked if anything further was desired by either party, and all parties indicated that nothing further was desired and the court thereupon adjourned. The form of order was evidently determined upon at this time and nothing remained except a formal entry thereof upon the records. Under these circumstances complainant cannot, after the adjournment of the court, ask for a different order than that already determined upon by the three judges, and which needed only to be reduced to writing and filed and recorded to constitute the final formal order of the court herein.

2. Section 266 of the Judicial Code, as amended, was enacted for the purpose of preventing an unwarranted use of the injunction against the operation of a state statute or an order of a state board [fol. 48] or commission on the ground of the alleged unconstitutionality of such law or such action or order of such board or commission. And while the right of appeal direct to the Supreme Court

is provided for in said section, yet the very object and purpose of the statute would be defeated if a temporary restraining order could be continued after the hearing on an application for an interlocutory injunction, at which hearing the application is denied. The very question which Section 266 brings the three judges together to hear is whether or not an interlocutory injunction shall be granted. If it is granted, there is no longer any need for the restraining order to prevent the certification of the tax in this case. For the interlocutory injunction will take the place of the restraining order. If it is refused, the restraining order should end, for the statute so provides, and because the refusal is a decision that there should be no injunction and that the tax should be certified.

To make an order such as is suggested by complainant in this cause would be in effect to continue the temporary restraining order, or to grant an interlocutory injunction in the very order in which a temporary injunction is denied. To grant an order in the form and with the effect suggested in complainant's motion would be granting to complainant a greater measure of relief than was given it in the case last year in which it was successful in securing a temporary injunction. In other words, complainant asks that in this case, in which the defendants have been successful, they be penalized to a greater extent than they were in the case heard last year, wherein the court found against them.

3. The entry of a conditional order herein is not essential to the preservation of the rights of appellant pending an appeal to the Supreme Court of the United States.

[fol. 19] 4. That the application for interlocutory injunction herein was heard and determined upon its merits by the introduction of evidence as to value of complainant's property by both complainant and defendants, which evidence would and did authorize the determination of a greater value than that alleged in complainant's bill and it would, therefore, be grossly unfair to defendants in case a conditional order is entered herein to accept the value alleged in complainant's bill rather than that shown upon the hearing as the measure for the authorized certification of value by the Executive Council, and, as above alleged, would be granting greater relief to complainant in a case in which it is unsuccessful than was awarded it after the hearing on the case in which it was successful.

Wherefore, defendants ask that complainant's motion be denied, and that the order as originally determined upon by the three judges sitting in this cause and as announced from a bench on October 30, 1922, be entered herein without conditions and qualifications attached thereto as the formal order of the court denying complainant's application for a temporary injunction.

(Sgd.) Ben J. Gibson, Attorney General; (Sgd.) B. J. Flick,
(Sgd.) Neil Garrett, Assistant Atty. Gen'l; (Sgd.) J. H.
Henderson, Attorneys for Defendants.

[File endorsement omitted.]

[fol. 50] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause *Per Curiam*—Memorandum Opinion of Hon. Kimbrough Stone, Circuit Judge, Hon. Thomas C. Munger, District Judge, and Hon. Martin J. Wade, District Judge, which is in words and figures as follows:

[fol. 51] UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF IOWA

In Equity. No. 4196

THE CHICAGO, GREAT WESTERN RAILROAD CO., Complainant,

v.

NATHAN E. KENDALL et al., Defendants.

In Equity. No. 4198

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Complainant,

v.

NATHAN E. KENDALL et al., Defendants.

Before Stone, Circuit Judge, and Munger and Wade, District Judges

[fol. 52] MEMORANDUM OPINION—Filed Nov. 10, 1922

Per Curiam:

These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company and the Chicago, Great Western Railroad Company respectively. The applications were heard together and both will be covered in this opinion.

These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38% of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75% of actual value. The Great Western claims the same as to farm lands and that its property was intentionally assessed at 115% of actual value. A reduction in the valuation by the Council, after the Great Western filed its bill, would reduce this claimed percentage to slightly over 111.5% of actual value.

There is no claim that the Council misinterpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it

may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S. 66, *Greene v. Ry.*, 244 U. S. 499, *Raymond v. Traction Co.*, 207 U. S. 20 and *State Railroad Tax Cases*, 92 U. S. 575. Therefore, this court has, under the allegations of the complaints, jurisdiction of these cases and must examine and determine them.

[fol. 53] At the threshold of this examination, it is of vital importance to state the limits within which this inquiry must be confined. Assessments of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S. 575, 615. Courts can not act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for general taxation purposes. This power, however, is restricted and defined by those statutes and by the state constitution. Of those restrictions, the ones here vital relate to equality of valuation. Because of difference in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and requirement is that property in each of the above classes shall be assessed at full actual value (Secs. 1305, 1334 A and 1336 Iowa Code). The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (*State Railroad Tax Cases*, 92 U. S. 575 at 612) "perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized." And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and, second, for the practical [fol. 54] reason, (as said by Justice Miller in the above case, p. 610) "as all valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter." But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every tax payer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters,

to instances where the allegations and the proof show wilful, intentional wrong valuation, has been established by many cases in the Supreme Court. Application of the doctrine is well illustrated in *Albuquerque Bank v. Perea*, 147 U. S. 87; *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350; *Raymond v. Traction Co.*, 207 U. S. 29 and *Greene v. Ry.*, 244 U. S. 499. In the *Albuquerque Bank* and *Sunday Lake Iron Co.* cases, the court refused to interfere. In the *Raymond* and *Greene* cases, injunctions issued and were upheld.

Therefore, the inquiry here is not whether the property of these complainants was overassessed as compared with farm lands but whether the Executive Council intentionally so overassessed such property. The complaints allege that such was the case.

We start into the proof with the presumption that the Council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant [fol. 55] circumstances. We may examine the action of the Council in the light of the facts before it and upon which it must have based its action.

As to farm land values, we are aided by a stipulation which places the average value in the state at \$125.00. The average assessment, by the local boards, was \$76.00. This was a fraction over 61% of actual value. It seems to be conceded by counsel for the respondents that respondents knew of this underassessment. If not conceded, the proof is ample that they did know it. Therefore, in assessing complainants' property, they were obligated to apply a relatively similar per centage of valuation. Does the evidence convince that they failed to do so and that such failure was intentional?

In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the Council. That problem was to ascertain the value of the property, in Iowa, of two large interstate railway systems. The statutes of Iowa contemplate that the Council shall, in such cases, assess the "entire railway within the state" (Sec. 1336, Code). It includes all real estate (Sec. 1334 A and 1336, Code), personalty (Sec. 1336 Code) and intangibles (Sec. 1336 and 1334 and 1340A Code). It is contended by complainants that intangible property is not included but we think the above sections are intended to cover such property and that the valuation is to be upon the entire property as a going concern. The difficulties of ascertaining the value of a single, simple thing, as a house, a building or a tract of land are evident and have been experienced by every court. How infinitely much more complicated and difficult must always be the valuation of a large railway property! For a half century the courts have struggled with this problem and have not yet settled even the bases to be used in determining such value. There have been innumerable cases before the Supreme Court involving the valuation of large public utili-

[fol. 56] ties for taxation and rate purposes. In no one of them has it been laid down that any particular basis or method of ascertaining such value was exclusive or controlling. The most that has been decided is that certain bases or methods bore directly upon value and were useful in determining it. Such recognized bases are cost price, reconstruction cost price, market value of stocks and bonds and capitalization of net income. The uncertainties concerning selection of any one basis, or combination of bases, as a standard of value is also made evident by the sharp conflict between economists, accountants and students of this subject. They never have agreed and they do not now agree. This uncertainty is further emphasized in these cases where counsel for The Rock Island present six bases (par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6%, capitalization of net income at 7%, capitalization of Government rental at 6% and property investment as shown in Ex parte ≈ 74 , a valuation proceeding by the Interstate Commerce Commission), the Great Western presents five (physical value, capitalization of net earnings in Iowa at 5%, market value of stocks and bonds, capitalization of net earnings allocated to Iowa at 5%, Government rental capitalized at 5%) and respondents present three (investment cost, reproduction cost and valuation under Ex parte ≈ 74).

The difficulty does not stop with the bases of value. It continues into the bases of allocation to Iowa of a proper proportion of the non-fixed property and intangibles. There are, at least, twelve different bases suggested in these cases. As to the Great Western, the six bases suggested by it do not widely vary, the extreme percentages to Iowa being 49.97% and 54.55%. As to the Rock Island, the variation is from 7.25% to 29.63%. As to the Rock Island the respondents contend for a ratio to Iowa of 27.4%.

All of these theories as to bases of value and bases of allocation were before the Council. We are not informed as to which of these theories or combination of theories the Council adopted or what weight it gave to any one or more. All of these bases have some [fol. 57] logical bearing upon the matter. As no one has been settled upon, in the decisions, as controlling, the propriety of selection remains a matter of fact (*Groesbeck v. Ry.*, 250 U. S. 607, 615) to be determined by the Council, which is the body required by law to make the assessment. In the absence of evidence as to the bases employed, we cannot impugn the good faith of the Council if the result reached by it is substantially justified by the application of any one, or combination, of these bases to the facts before it. Nor, direct evidence of intent being absent, can we impute bad intention if (aside from all theories of valuation and allocation) the Council had before it direct evidence of value which rational men would use and which could justify the result reached.

There remains the test of the intent of the Council in the light of the above considerations and of the facts before it. We were told at argument that the Council had before it all of the facts here presented. In considering the facts, the evidence is different as between

the two complainants and each must, therefore be considered separately.

The Rock Island

The affidavit of L. A. Hernany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6%, capitalization of net income at 7%, capitalization of Government rental at 6%, and value under Ex parte ≈ 74 . These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these factors and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result and, therefore, either of the method- or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess [fol. 58] of \$40,500.00 per mile in Iowa on a mileage of 2,202,333 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be true the Council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate "business." However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The Council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the Council, the ratio of assessed value would be slightly over 60% as against 61 Plus % for farm lands.

There was, however, before the Council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the Council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Inter-state Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the Commission; the protest filed by the company to the tentative valuation findings of the Inter-State Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the Commission shows a total valuation [fol. 59] of over \$137,500,000.00. It seems doubtful whether the item therein of "General Expenditures," totalling over \$14,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00.

If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50% as compared with 61 plus $\frac{1}{4}$ for farm lands.

The above protest filed by the company with the Inter-State Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66% thereon as compared with 61 plus $\frac{1}{4}$ for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

In the above annual report to the stockholders, for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81% (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 plus $\frac{1}{4}$ as against 61 plus $\frac{1}{4}$ for farm lands.

In view of the above possible findings, based on evidence before it, we cannot say that the Council intentionally overassessed the property.

The Great Western

We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Inter-state Commerce Commission, [fol. 60] the assessed value is 66 plus $\frac{1}{4}$ if the figures of the carrier be correct or 54 plus $\frac{1}{4}$ if the figures of respondents are right. Using the reports to the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50% is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40% thereof. Using this same method as to the value found in Ex Parte #74, the result is slightly above 40%.

We conclude, therefore, that the Council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

In the above valuations of the two roads, no account has been taken of intangible values. We have thought it unnecessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these applications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the Council

to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the Council.

Our conclusion is, therefore, that the applications should be and they will be denied.

[fol. 61] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause a Petition for Allowance of Appeal, which is in words and figures as follows:

[fol. 62] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

PETITION FOR ALLOWANCE OF APPEAL—Filed Nov. 10, 1922

To the Honorable Judges of the District Court of the United States
for the Southern District of Iowa, Central Division:

The Chicago, Rock Island and Pacific Railway Company, the above named complainant, feeling aggrieved by so much of the interlocutory decree rendered and entered in the above entitled cause on the 10th day of November, 1922, as denies the application of the complainant for a temporary injunction and refuses the complainant a temporary injunction restraining the above named defendants, and each of them, from certifying to the auditors of the various counties of the state to and through which the lines of railroad of complainant extend, or to the officers of any other taxing district of the state the value or any ratable portion thereof heretofore fixed by the Executive Council of said state as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, does hereby appeal from such [fol. 63] interlocutory decree herein mentioned to the Supreme Court of the United States for the reasons set forth in the assignment of errors filed herewith, and it prays that its appeal be allowed pursuant to Section 266 of the Judicial Code, and that citation be issued as provided by law, and that a transcript of the record and proceedings and documents upon which said decree was based, duly authenticated, be sent to the Supreme Court of the United States sitting at Washington, in the District of Columbia, under the rules of such court in such cases made and provided.

Your petitioner shows that in the above entitled cause said petition claims that the act of the defendants in certifying or utilizing the said assessment of the property of complainant devoted to railroad purposes in the State of Iowa as made or fixed by the Executive Council of the State of Iowa constitutes the subjection of the property of complainant to taxation at a greater rate or upon a greater basis than other classes of property subject to taxation in the State of

Iowa, and is contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States providing that no state shall deprive any person of his property without due process of law nor deny to any person the equal protection of the laws, and that the amount in the above entitled suit on appeal exceeds in interest and costs the sum of Five Thousand (\$5,000.00) Dollars.

Wherefore your petitioner prays that said appeal may be allowed and that upon complainant giving bond in an amount fixed by this court, said appeal may operate as a supersedeas and may suspend during the pendency of said appeal the effect of the order denying [fol. 64] said injunction, and petitioner shows to the court that unless a stay is granted which will preserve the status of the litigation until an appeal may be heard, the act sought to be enjoined will have been committed, and the petitioner thus deprived of the fruits of a successful appeal, and petitioner prays for all other and further relief to which it may be entitled.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Solicitors for Complainant.

[File endorsement omitted.]

[fol. 65] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Assignment of Errors which is in words and figures as follows:

[fol. 66] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

ASSIGNMENT OF ERRORS—Filed Nov. 10, 1922

Now comes the complainant, The Chicago, Rock Island & Pacific Railway Company, and files herewith its petition for allowance of appeal, and says that there are errors in the record and proceedings in the above entitled cause, and for the purpose of having the same reviewed in the United States Supreme Court makes the following assignment of errors:

1. The said court, constituted under the provisions of Section 236 of the Judicial Code, erred in denying to complainant the relief prayed for.
2. The said court, constituted under the provisions of Section 236 of the Judicial Code, erred in denying to complainant a temporary injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.
3. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary in-

junction as prayed for, for the reason that the use or certification [fol. 67] of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.

4. The said court, constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or allegations of its bill upon final hearing.

5. The said court, constituted under Section 266 of the Judicial Code, in denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

6. That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

8. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of the law, all contrary to and in violation of the [fol. 68] Fourteenth Amendment to the Constitution of the United States.

9. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

10. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at law or in equity, and will be subjected to a multiplicity of suits.

11. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying

or utilizing as the assessed value of complainant's property the sum of \$30,400.00 per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335 and 1336, of the Code of Iowa of 1897, as amended.

12. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction [fol. 69] as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$30,400.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$30,400.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382, of the Code of Iowa, as amended, and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to the United States Constitution.

Wherefore the said The Chicago, Rock Island & Pacific Railway Company, prays that the decree and order of the said District Court of the United States, for the Southern District of Iowa, Central Division, appealed from herein be reversed.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Solicitors for Complainant.

[File endorsement omitted.]

[fol. 70] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause a resistance to application of complainant for supersedeas pending appeal, which is in words and figures as follows:

[fol. 71] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESISTANCE TO APPLICATION OF COMPLAINANT FOR SUPERSEDEAS PENDING APPEAL—Filed Nov. 10, 1922

Come now the defendants and in resistance to the application of complainant for supersedeas pending appeal to the supreme court

of the United States for the order entered herein denying the application of complainant for a temporary injunction, respectfully state:

I

That the application for a supersedeas pending appeal from an order denying application for a temporary injunction in this kind of a proceeding must be addressed to and acted upon by the three judges before whom application for temporary injunction must be heard, under provisions of Section 266 of the Judicial Code as amended.

II

That a granting of a stay or supersedeas pending appeal herein would be in effect a continuation of the restraining order which is dissolved, under Section 266 of the Judicial Code as amended, at the [fol. 72] time of the hearing on the application for temporary injunction and would be in effect a granting of a temporary injunction in a case in which it had already been determined by the three judges that application for temporary injunction should be denied.

III

That the granting of a supersedeas or stay on the conditions sought by complainant would be to adversely effect and irreparably injure a large class of taxpayers, to-wit: the owners of substantially 48.5 per cent of the property in the State, by raising the rate at which their property would be assessed in all taxing precincts where complainant's property is located.

IV

That a granting of a supersedeas or stay pending appeal to the supreme court of the United States in this case would dislocate and paralyze the functioning of the tax machinery of the State of Iowa and of the various taxing districts and precincts thereof.

V

That the court is without jurisdiction to grant a stay pending appeal, under the provisions of Section 266 of the Judicial Code, or any equitable rule, because there is no status quo to be maintained except that which exists after the finding of the court denying the application for a temporary injunction, and because such stay would result in effect in a granting of a temporary injunction in the same case in which temporary injunction is denied, as above alleged.

[fol. 73]

VI

That the granting of a stay herein would not only result in irreparable injury to a large class of property, as above alleged, but in

irreparable injury and damage to the property owners of the State of Iowa as a whole.

(Sgd.) Ben J. Gibson, Attorney General. (Sgd.) B. J. Flick, Assistant Attorney General. (Sgd.) Neil Garrett, Assistant Attorney General. (Sgd.) J. H. Henderson, Commerce Counsel.

[File endorsement omitted.]

[fol. 74] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Order which is in words and figures as follows:

[fol. 75] IN THE DISTRICT COURT OF THE UNITED STATES FOR SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

ORDER DENYING APPLICATION FOR INJUNCTION, DISSOLVING RESTRAINING ORDER, ETC.—Filed Nov. 10, 1922

Now on this 30th day of October, 1922, this case having been heretofore fully heard before three Judges, to-wit: Kimbrough Stone, Circuit Judge, Thomas E. Munger, District Judge, and Martin J. Wade, District Judge, and the same having been argued and submitted and the court being now fully advised, the said three Judges sitting, it was announced from the bench orally that the temporary injunction prayed herein shall be denied. And thereupon the court, consisting of the Judges aforesaid, retired from the bench.

Under the direction of Judges Stone and Munger, Judge Wade was to prepare the written order to be entered of record denying said injunction. A short time later counsel for complainant presented an oral request that the order denying the injunction and dissolving the restraining order should contain a provision suspending the force and effect of the order and continuing the restraining order in effect pending appeal to the Supreme Court of the United States.

Thereafter upon consultation individually with Judge Munger and later with Judge Stone the application was set for hearing before Judge Wade at the City of Council Bluffs on Wednesday, November 1st.

Now, to-wit, on Wednesday, November 1st, 1922, appears counsel [fol. 76] for complainant and respondent and the application of complainant as aforesaid for a continuance of the restraining order was argued, and thereupon the court directed that a written application be filed and that objections thereto be filed which was later done.

Thereupon there was consultation by correspondence by Judge Wade with the other two judges in regard to the questions presented.

And now, to-wit, on this 10th day of November, 1922, the matter coming on for further hearing and the court (Judge Wade sitting) being fully advised, it is now ordered and adjudged that the application of complainant for a conditional order continuing the restraining order in effect pending appeal, is denied. Exception allowed.

And therefore, it is now ordered and adjudged, in compliance with announcement of the three judges as heretofore appearing herein that the application of the complainant for a temporary injunction herein be and the same is hereby denied. Exception allowed.

And it is further ordered and adjudged that the restraining order heretofore granted be, and the same is hereby dissolved. Exception allowed.

And thereupon the complainant presents petition for appeal to the Supreme Court of the United States, accompanied by assignment of errors, and also application for supersedeas praying that the appeal may operate as a supersedeas and may suspend during the pendency of said appeal the effect of the order denying said injunction.

Thereupon counsel for respondent filed resistance to the application for order of supersedeas, and the same having been presented the court being now fully advised, it is ordered and adjudged that the prayer for appeal be granted and that the application for supersedeas be granted. Exception allowed.

[fol. 77]

Order of Supersedeas

And now the petition for allowance of appeal having been granted, it is ordered and adjudged that pending such appeal the respondents Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually, and as secretary of the Executive Council of the State of Iowa, be and they are hereby enjoined and restrained from certifying to the auditors of the various counties in the state of Iowa to or through which the lines of railroad of complainant extend, or to the offices of any other taxing district of the state, the value or any ratable proportion thereof heretofore fixed by the said Executive Council of the State of Iowa, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, or from certifying or using any other assessed value of the property of the complainant in excess of \$27,968.00 per mile. The value fixed by the Executive Council as aforesaid shall not be used for any purpose in excess of the value fixed therein less eight (8) per cent thereof, which per cent shall be deducted from said valuation by any officer using the same as a basis of taxation in any form.

This order is upon the following conditions:

1. That the complainant shall file a bond herein in the sum of \$150,000.00, conditioned that it will pay taxes upon any assessment of its property or ratable portion thereof in any taxing district the use of which may be finally determined to be legal in this case,

together with penalties and interest, if any, as provided by the laws of the state of Iowa. Also that complainant shall pay all costs and damages which may be hereafter adjudged against it in this proceeding in this court. And the court reserves the jurisdiction to hear and determine any elements of claims for damages which may be hereafter presented.

[fol. 78] 2. That the complainant shall prosecute the appeal herein with due diligence and that upon failure to do so the respondent may apply at any time to this court for an order dissolving this order of supersedeas.

3. Counsel for respondent presents an oral application for an order permitting recovery of attorney's fees herein. This application, without prejudice, is continued until the consideration of damages as aforesaid upon the bond in case such matter is presented to the court.

4. This court retains jurisdiction herein to at any time make any order upon proper application which the court may have the power to enter pending such an appeal.

The respondent excepts to the order of the court granting a supersedeas and restraining the certifying of the full tax as aforesaid pending appeal.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 79] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause an Appeal Bond which is in words and figures as follows:

[fols. 80-82] IN THE DISTRICT COURT OF THE UNITED STATES FOR
THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPEAL BOND—Filed Nov. 10, 1922 [for \$500.00, approved, Wade, J.; omitted in printing]

[fol. 83] And thereafter to wit: On the 10th day of November, A. D. 1922, there was filed in said cause a Supersedeas Bond which is in words and figures as follows:

[fol. 84] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

SUPERSEDEAS BOND—Filed Nov. 10, 1922

Know all men by these presents: That we, The Chicago, Rock Island & Pacific Railway Company, as Principal, and the National Surety Company, a corporation, as Surety, are held and firmly bound unto Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa, W. J. Burbank, Treasurer of the State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, in the full and just sum of One Hundred Fifty Thousand Dollars (\$150,000.00), to be paid to the said Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa, W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, their attorneys, executors, administrators or assigns, to [fol. 85] which payment well and truly to be made, we bind ourselves, our heirs, executors and administrators, jointly and severally, firmly by these presents. Sealed with our seals and dated this 10th day of November, in the year of our Lord one thousand nine hundred and twenty-two.

Whereas, the above named The Chicago, Rock Island & Pacific Railway Company has prosecuted an appeal to the Supreme Court of the United States to reverse the decree entered in the above entitled cause on the 10th day of November, 1922, denying the application of said complainant for a temporary writ of injunction,

Now, therefore, the condition of this obligation is such that if the above named The Chicago, Rock Island & Pacific Railway Company shall prosecute its said appeal to effect and answer all damages and costs if it shall fail to make such appeal good, and shall pay taxes upon any assessment of its property, or ratable portion thereof in any taxing district of the State of Iowa, the use of which may be finally determined to be legal in this cause *cause*, together with penalties and interest, if any, as provided by the laws of the State of Iowa, then this obligation shall be void, otherwise the same shall be and remain in full force and virtue.

The Chicago, Rock Island & Pacific Railway Company, Principal, (Sgd.) By J. G. Gamble, Its Solicitors. National Surety Company, Surety, (Sgd.) By John I. Petty, Res. Ass't Sec'y. (Sgd.) E. A. Lingenfelter, Resident Vice President.

The foregoing bond is hereby approved to operate as a supersedeas [fol. 86] as to said order or decree denying the temporary injunction entered on November 10, 1922.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 87] And thereafter to wit: On the 1st day of December, A. D. 1922, there was filed in said cause a Notice by complainants which is in words and figures as follows:

[fol. 88] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

NOTICE—Filed Dec. 1, 1922

To the above-named defendants, and to Ben J. Gibson, their Solicitor of Record:

You will please take notice that the application of complainant, a copy of which is hereto attached, for an order staying the effect of the order entered November 10, 1922, and staying the defendants, pending the appeal of this cause to the Supreme Court of the United States, from certifying the assessment of its property to the County Auditors of the Counties through or into which the lines of this complainant extend, will be presented to the Honorable Kimbrough Stone, Circuit Judge, Thomas C. Munger, and Martin J. Wade, District Judges, at the office of the Honorable Kimbrough Stone at Kansas City, Mo., on Tuesday, December 5, 1922, at 8.00 o'clock A. M., or as soon thereafter as counsel can be heard.

The Chicago, Rock Island & Pacific Railway Company, Complainant, (Sgd.) By W. F. Dickinson, (Sgd.) W. F. Peter, (Sgd.) J. G. Gamble, Its Solicitors.

Receipt of copy of the above notice, together with copy of application is hereby acknowledged this 1 day of December, 1922.

(Sgd.) Ben J. Gibson, Solicitors for Defendants.

[File endorsement omitted.]

[fol. 89] And thereafter to wit: On the 1st day of December, A. D. 1922, there was filed in said cause an Application by complainants which is in words and figures as follows:

[fol. 90] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPLICATION FOR ORDER STAYING ORDER DENYING INJUNCTION—
Filed Dec. 1, 1922

To the Honorable Kimbrough Stone, Circuit Judge; Thomas C. Munger and Martin J. Wade, District Judges, sitting in the above-entitled cause under the provisions of Section 266 of the Judicial Code:

Comes now the above named complainant and respectfully shows to the court that on to-wit: the 10th day of November, 1922, pursuant to the directions of this court there was entered in the above entitled cause an order denying the interlocutory injunction prayed for by complainant in its bill filed herein.

Complainant further shows that on the same day upon a petition and assignment of errors duly filed an appeal was allowed to the Supreme Court of the United States as provided for in Chapter 266 of the Judicial Code, as amended.

Complainant further shows to the court that since the allowance of said appeal as aforesaid the said complainant has been diligently [fol. 91] engaged in the preparation of the record to be lodged with the Supreme Court of the United States, and will lodge said record in said court at the earliest possible time and within the time allowed by law.

Complainant further shows to the court that unless the defendants are restrained pending the decision of the Supreme Court of the United States on the appeal taken under Section 266 of the Judicial Code from the order of this court denying the interlocutory injunction, the defendants will immediately certify the values as assessed or fixed by the Executive Council of the State of Iowa, and complainant's appeal to said court from the order denying such interlocutory injunction will be fruitless and irreparable injury will be done it, in that the question of the propriety of the order of this court denying the interlocutory injunction prayed for will become moot for the reason that the act sought to be enjoined will have been committed prior to the time when it is possible to submit the same to the Supreme Court for its determination.

Complainant further shows to the court that it is necessary in order to preserve the fruits of a successful appeal to complainant that the status quo of the subject matter of the litigation be maintained pending such appeal, and to that end an order be entered restraining the defendants from certifying to the Auditors of the various counties

of the State of Iowa the value of complainant's property for taxation as fixed by them while acting as the Executive Council.

Wherefore complainant prays that this court enter an order upon [fol. 92] such terms and conditions as to it seems just and proper, staying the effect of its order entered on November 10, 1922, as aforesaid, denying complainant's application for an interlocutory injunction in this cause, and restraining the defendants, pending the appeal of this cause to the Supreme Court of the United States as aforesaid, from certifying to the County Auditors of the Counties through or into which the lines of this complainant extend, the assessment for the purpose of taxation of its property as set forth in the bill of complaint in this cause, and complainant prays for such other and further relief as to the court may seem meet and proper.

(Sgd.) W. F. Dickinson, (Sgd.) W. F. Peter, (Sgd.) J. G. Gamble, Solicitors for Complainant.

[File endorsement omitted.]

[fol. 93] And thereafter to wit: On the 7th day of December, A. D. 1922, there was filed in said cause an Order by the three Judges which is in words and figures as follows:

[fol. 94] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

RESTRAINING ORDER—Filed Dec. 7, 1922

Now on the 5th day of December, 1922, the application for an injunction pending appeal and the resistance thereto being presented and argued to the Court, composed of the Honorable Kimbrough Stone, Circuit Judge, and the Honorable Thomas C. Munger and Martin J. Wade, District Judges, and the court being fully advised in the premises it is ordered and decreed that pending such appeal the respondents Nathan E. Kendall, Walter C. Ramsay, Glenn C. Haynes and W. J. Burbank, individually and as members of the Executive Council of the State of Iowa, and R. E. Johnson, individually and as Secretary of the Executive Council of the State of Iowa, be and they are hereby enjoined and restrained from certifying to the auditors of the various counties in the State of Iowa to or through which the lines of railroad of complainant extend, or to the officers of any other taxing district of the State, the value or any [fol. 95] ratable proportion thereof heretofore fixed by the said Executive Council of the State of Iowa, as the assessed value of the property of the complainant, or from certifying to said officers twenty-five per cent of the said value as the taxable value, or from certifying or using any other assessed value of the property of the

complainant in excess of \$27,968.00 per mile. The value fixed by the Executive Council as aforesaid shall not be used for any purpose in excess of the value fixed therein less 8 per cent thereof, which per cent shall be deducted from said valuation by any officer using the same as a basis of taxation in any form.

This order is upon the following conditions:

1. That the complainant shall within fifteen days file a bond herein in the sum of \$150,000.00 conditioned that it will pay taxes at the rate of levy established for the tax year 1922 upon any assessment of its property or ratable portion thereof in any taxing district the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the State of Iowa or amounts equal thereto as the court may direct. Also that complainant shall pay all costs and damages which may be hereafter adjudged against it in this proceeding in this court.

2. That the complainant shall prosecute the appeal herein with due diligence and that upon failure to do so the respondent may apply at any time to this court for an order dissolving this order of supersedeas.

3. Counsel for respondent presents an oral application for an order permitting recovery of attorney's fees herein. This application, without prejudice, is continued until the consideration of damages as aforesaid upon the bond in case such matter is presented to the court.

4. This court retains jurisdiction herein to at any time make any proper order herein.

[fol. 96] Upon filing and approval of the bond herein provided the injunction order pending appeal entered upon the tenth day of November, 1922 herein shall be dissolved and the bond therein discharged.

The respondent excepts to the order of the court granting a supersedeas and restraining the certifying of the full tax as aforesaid pending appeal.

(Sgd.) Kimbrough Stone, Circuit Judge. (Sgd.) Thos. C. Munger, District Judge. (Sgd.) Martin J. Wade, District Judge.

[File endorsement omitted.]

[fol. 97] And thereafter to wit: On the 8th day of December, A. D. 1922, there was filed in said cause an Application for enlargement of time to Docket Appeal, which is in words and figures as follows:

[fol. 98] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

APPLICATION FOR ENLARGEMENT OF TIME TO DOCKET APPEAL—
Filed Dec. 8, 1922

To the Honorable Kimbrough Stone, Circuit Judge; Thomas C. Munger and Martin J. Wade, District Judges, sitting in the District Court of the United States in and for the Southern District of Iowa under the provisions of Chapter 266 of the Judicial Code, and to each of said Judges:

The above named Complainant respectfully shows to the Court that on November 10th, 1922 it entered an Order in the above entitled cause, denying its Application for an interlocutory injunction in accord with its bill filed herein, and that upon the same day upon petition for appeal and assignment of errors duly filed, an appeal was allowed to the Supreme Court of the United States, pursuant to the provisions of Chapter 266 of the Judicial Code, under which the Court denying the said interlocutory injunction was constituted, and on said day a citation was signed by the Honorable Martin J. Wade, District Judge, returnable within thirty (30) days thereafter.

That under the provisions of Rule 9 of the Rules of Practice of the Supreme Court, it is the duty of the appellant to docket the said appeal in the Supreme Court of the United States at or before 30 days from the date of the filing of said citation, by filing the record [fol. 99] therein, unless the time is, before its expiration, enlarged by the Court or one of the Judges sitting therein.

The Complainant further respectfully shows to the Court that 30 days from November 10th is not sufficient time for this Complainant and Appellant to prepare the record in accordance with Rules 75 and 76 of the Equity Rules and Rule 8 of the Rules of Practice of the Supreme Court, even though it has been diligent in the preparation thereof.

Complainant shows to the Court that immediately on November 10th, upon which date the Order denying the interlocutory injunction was entered and the appeal allowed, it ordered from the Reporter a transcript of the record made in said case and immediately employed extra help for the purpose of preparing copies of Exhibits introduced upon the hearing, and since that date the work of the preparation of the record has been constant and continuous.

That there was introduced into the record upon the hearing, a number of books constituting annual reports of the Railroad Commission, much of which was immaterial to the issues presented upon

the hearing upon plaintiff's application and requires, in order to conform to the Rules above referred to, the selection of such items as may be material to the issues presented upon the hearing and to be presented upon the appeal, as well as a great volume of documentary evidence, which, for the purpose of preparation of the record upon appeal, it is necessary to re-produce.

Wherefore, your Complainant asks that an Order be entered, enlarging the time within which it must docket its appeal to January 10th, 1923.

(Sgd.) W. F. Dickinson, (Sgd.) W. F. Peter, (Sgd.) J. G. Gamble, Solicitors for Complainant.

[fol. 100] STATE OF IOWA,
Polk County, ss:

I, J. G. Gamble, being first duly sworn, upon oath depose and say that I am one of the Solicitors for the Complainant in the above entitled cause; that I have read the foregoing Application for Enlargement of Time to Docket Appeal and that the matters and things therein stated are true and correct as I verily believe.

(Sgd.) J. G. Gamble,

Subscribed in my presence and sworn to before me by the above named J. G. Gamble this 5th day of December, 1922.

(Sgd.) N. E. Liljequist, Notary Public in and for Polk County, Iowa. (Seal.)

[File endorsement omitted.]

[fol. 101] And thereafter to wit: On the 8th day of December, A. D. 1922, there was filed in said cause an Order enlarging time for docketing appeal which is in words and figures as follows:

[fol. 102] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION.

[Title omitted]

ORDER ENLARGING TIME—Filed Dec. 8, 1922

Now on this 5th day of December, 1922, the matter came on for hearing upon the application of the complainant for enlargement of time to docket appeal from an order denying an interlocutory injunction in the Supreme Court of the United States. And the court being fully advised in the premises,

It is ordered that the time for docketing the said appeal be enlarged in accord with the prayer of the application of complainant on file, until January 10, 1923.

(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 103] And thereafter to wit: On the 14th day of December, A. D. 1922, there was filed in said cause a Stay Bond which is in words and figures as follows:

[fol. 104] IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

STAY BOND—Filed Dec. 14, 1922

Know all men by these presents: That we, The Chicago, Rock Island & Pacific Railway Company, as Principal, and the National Surety Company, a corporation, as Surety, are held and firmly bound unto Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa, W. J. Burbank, Treasurer of the State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, in the full and just sum of One Hundred Fifty Thousand Dollars (\$150,000.00), to be paid to the said Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of State of Iowa, W. J. Burbank, Treasurer of State of Iowa, individually and as members of the Executive Council of the State of Iowa; and R. E. Johnson, as Secretary of the Executive Council of the State of Iowa, and individually, their attorneys, executors, administrators or assigns, to which payment well and truly to be made, we bind ourselves, our heirs, executors and administrators, jointly and severally, firmly by these presents. Sealed with our seals and dated this [fol. 105] 13th day of December, in the year of our Lord one thousand nine hundred and twenty-two.

Whereas, the above named The Chicago, Rock Island & Pacific Railway Company has prosecuted an appeal to the Supreme Court of the United States to reverse the decree entered in the above entitled cause on the 10th day of November, 1922, denying the application of said complainant for a temporary writ of injunction.

Now therefore, the condition of this obligation is such that if the above named The Chicago, Rock Island & Pacific Railway Company shall prosecute its said appeal to effect and answer all damages and costs if it shall fail to make such appeal good, and shall pay taxes at the rate of levy established for the tax year 1922 upon any assessment of its property or ratable portion thereof in any taxing district, the use of which may be finally determined to be legal in this case, together with penalties and interest, if any, as provided by the laws of the State of Iowa or amounts equal thereto as the court may di-

rect, and any and all costs and damages which may be hereafter adjudged against it in this proceeding in this court, then this obligation shall be void, otherwise the same shall be and remain in full force and virtue.

The Chicago, Rock Island & Pacific Railway Company, Principal, By W. F. Dickinson, By W. F. Peter, By J. G. Gamble, Its Solicitors. National Surety Company, Surety, By E. A. Lingenfelter, Res. Vic. Pres. By John C. Petty, Res. Ass't Sec. (Seal.)

The foregoing bond is hereby approved.

(Sgd.) Martin J. Wade, U. S. Judge.

[File endorsement omitted.]

[fol. 106] And thereafter to wit: On the 2nd day of January, A. D. 1923, there was filed in said cause a Stipulation, which is in words and figures as follows:

[fol. 107] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

[Title omitted]

STIPULATION OF COUNSEL.—Filed Jan. 2, 1923

It is stipulated and agreed by and between the parties to the above entitled cause:

That the Clerk, in making up the transcript of record on this appeal from the order denying complainant's motion for an interlocutory injunction, shall include therein all pleadings, orders, motions, stipulations, affidavits and exhibits, constituting the entire record before the Court except there may be omitted from the record certain exhibits named herein and certain substitutions made therefore, as follows:

(1) The Clerk shall not include as part of the transcript defendants' exhibit "C," said exhibit being an annual report of the complainant to its stockholders; but there shall be substituted therefore pages 11, 12, and 13, only, of said exhibit; said pages containing a letter from Charles Hayden, Chairman of the Board of Directors of the complainant corporation, addressed to the stockholders of said corporation.

(2) The Clerk shall not include as part of the transcript defendants' exhibit "D," said exhibit being the joint and several protest filed by the complainant and other Railroad Companies before the Interstate Commerce Commission, valuation docket 152; but there shall be substituted therefore pages 1 to 19 inclusive and page 155 of said exhibit.

Extracts from Published Reports of the Board of Railroad Commissioners of

Report for year	1		2	3	4	5
	Total par value of capital stock actually outstanding at close of year		Par value of mortgage bonds actually outstanding at close of year	Total par value of equipment obliga- tions actually outstanding at close of year	Total par value miscellaneous obligations actually outstand- ing at close of year	Total pa- collateral bonds a- outsta- at close
	Common	Preferred				
1914	C. R. I. & P. Ry. Co., Year of 1913.....	74,872,322.50	.....	See Column (9)	See Column (9)	See Column (9)
	*St. P. & K. C-St. L.	50,000.00	.....	" " "	" " "	" "
1915	C. R. I. & P. Ry. Co., Year of 1914.....	74,359,722.50	.....	See Column (8)	See (6) & (7)	See Column (8)
	**St. P. & K. C-St. L.	50,000.00	.....	" " "	" " "	" "
1916	C. R. I. & P. Ry. Co., Year of 1915.....	74,359,722.50	.....	182,527,000.00	See (6) & (7)	20,010,000.00
	St. P. & K. C-St. L.	50,000.00	.....	12,621,145.00	.....	.....
1917	C. R. I. & P. Ry. Co., Year of 1916.....	74,359,722.50	.....	182,527,000.00	See (6) & (7)	20,000,000.00
	St. P. & K. C-St. L.	50,000.00	.....	12,625,150.00	.....	.....
1918	C. R. I. & P. Ry. Co., Year of 1917.....	74,359,722.50	54,422,160.00	170,027,000.00	See (6) & (7)	.....
	St. P. & K. C-St. L.	50,000.00	.....	12,627,730.00	.....	.....
1919	C. R. I. & P. Ry. Co., Year of 1918.....	74,359,722.50	54,530,289.00	170,027,000.00	10,790,268.60	.....
	St. P. & K. C-St. L.	50,000.00	.....	12,627,730.00	.....	.....
1920	C. R. I. & P. Ry. Co., Year of 1919.....	74,359,722.50	54,544,789.00	170,027,000.00	8,705,321.80	.....
	St. P. & K. C-St. L.	50,000.00	.....	12,641,455.00	.....	.....
1921	C. R. I. & P. Ry. Co., Year of 1920.....	74,359,722.50	54,557,989.00	170,027,000.00	15,267,625.00	9,862,000.00
	St. P. & K. C-St. L.	50,000.00	.....	12,687,820.00	.....	.....

*Report covers 4 months: June 30, 1913, to October 31, 1913.

**No report.

EVIDENCE: EXHIBIT A-1

Extracts from Published Reports of the Board of Railroad Commissioners of Iowa

	2	3	4	5	6	7	8	9
Capital stock at close of year	Par value of mortgage bonds actually outstanding at close of year	Total par value of equipment obligations actually outstanding at close of year	Total par value miscellaneous obligations actually outstanding at close of year	Total par value collateral trust bonds actually outstanding at close of year	Equipment obligations actually outstanding, matured and unpaid, at close of year	Equipment obligations actually outstanding, unmatured, at close of year	Other than equipment obligations actually outstanding at close of year	Funded debt, total par value not held by respondent
Preferred	See Column (9)	See Column (9)	See Column (9)	See Column (9)	See	Column	(9)	235,246,000.00
	" " "	" " "	" " "	" " "	"	"	"	9,854,110.00
	See Column (8)	See (6) & (7)	See Column (8)	See 8	198,897.50	16,740,000.00	214,543,000.00	See Columns 2, 3, 4, & 5
	182,527,000.00	See (6) & (7)	20,010,000.00	10,488,000.00	177,425.00	14,295,000.00		
	12,621,145.00							
	182,527,000.00	See (6) & (7)	20,000,000.00	10,488,000.00	177,000.00	12,852,000.00		
	12,625,150.00							
422,160.00	170,027,000.00	See (6) & (7)		1,494,000.00	176,000.00	12,875,215.40		
	12,627,730.00							
530,280.00	170,027,000.00	10,790,268.60						
	12,627,730.00							
544,780.00	170,027,000.00	8,705,321.80		4,500,000.00	See Column (3)			
	12,641,455.00							
557,980.00	170,027,000.00	15,267,625.00	9,862,000.00	4,500,000.00				
	12,687,820.00							

[fols. 110 & 111]

EVIDENCE: EXHIBIT V-2

Extract from Annual Reports of the Chicago, Rock Island & Pacific Railway Company to the Board of Railroad Commissioners of the State of Iowa

Year of report	For entire system			For the State of Iowa			
	Operating revenues	Operating expenses	Net operating revenues	Operating revenues	Operating expenses	Net operating revenues	
1914	Year ending June 30th.....	65,388,503.40	48,893,138.70	16,495,364.70	17,143,526.36	13,157,898.11	3,985,628.25
1915	" " " ".....	68,041,216.50	51,307,307.63	16,733,908.87	17,662,723.13	13,590,298.58	4,590,298.58
1916	" " " ".....	72,189,276.64	52,308,871.39	19,880,405.25	17,600,333.64	13,434,291.05	4,166,042.59
1916	" " Dec. 31.....	77,482,910.69	52,796,820.87	24,686,089.82	18,559,383.69	13,512,769.30	5,046,614.39
1917	" " " ".....	85,709,549.47	63,489,090.49	22,220,458.98	20,487,685.79	16,365,225.38	4,122,460.41
1918	" " " ".....	Corporate 123,358.63	*123,358.63	Report	See Federal Report		
1919	" " " ".....	Corporate 371,723.79	*371,723.79	Report	Below		
1920	" " " ".....	135,063,039.03	127,809,277.38	7,253,761.65	31,614,563.52	34,152,692.51	*2,538,128.99
1921	" " " ".....	131,766,857.60	107,170,333.65	24,596,523.95	30,035,717.80	27,624,798.93	2,410,918.87
1918	Federal Report Year ending Dec. 31.	99,869,556.65	86,098,574.31	13,770,982.34	23,673,149.74	22,452,063.35	1,221,086.39
1919	" " Year ending " "	111,578,655.48	97,022,766.67	14,555,888.81	27,105,566.72	25,873,867.10	1,231,699.62

[*Red in copy.]

[fol. 108] (3) The Clerk shall not include as part of the transcript defendants' exhibit "T," said exhibit being "Exhibit Number 1, submitted in behalf of the Railroads in Western District, May, 1920, before the Interstate Commerce Commission, Ex Parte 74," but there shall be substituted therefore an extract from "Exhibit 1 page 9" containing certain statistics concerning the complainant and the Chicago Great Western Railroad Company, said extract containing all matter in "Exhibit 1 page 9" relating to either the complainant or the Chicago Great Western Railroad Company.

(4) The Clerk shall not include as part of the transcript defendants' exhibits "V-1" to "V-8" inclusive, said exhibits being the annual reports of the Board of Railroad Commissioners of Iowa for the years 1914 to 1922 inclusive; but there shall be substituted therefore two charts marked exhibits "V-1" and "V-2," copies of said charts being hereto attached and made a part hereof; said charts containing data taken from defendants' exhibits "V-1" to "V-8" inclusive; include pages 506 and 506a of complainant's report to Iowa R. R. Commission as of December 31, 1920, as exhibit "V-3," include pages 506 and 804 of complainant's report to Iowa R. R. Commission as of December 31, 1921 as exhibit "V-4."

(5) The Clerk shall not include as part of the transcript Parts II and III of defendants' exhibit "X2," said exhibit being the tentative valuation of the complainant's property filed with the Iowa Board of Railroad Commissioners, said exhibit being divided into three parts, part I of said exhibit being sufficient for the purposes of the record.

The Clerk shall include as part of the transcript the following exhibits and substituted exhibits:

Exhibits for the Complainant: "1," "2," "3," "4," "5," "6," "7," "8," "9," "10," "11," "12," "13," "15," "16," "17," and "18."

Exhibits for the Defendants: "A," "A-1," "B-1" to "B-12" inclusive, "C," substituted "D," "E," "F," "G," "H," "I," "J," "K-1," "K-2," "K-3," "L-1," "L-2," "S," substituted "T," substituted "V-1" and "V-2," "W," substituted "X," "Z," also "V-3" and "V-4."

It is further stipulated that the Clerk may use in preparing the record on appeal, printed or typewritten copies of all such pleadings documents, affidavits etc., as may be furnished by the parties hereto.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Solicitors for Complainant. (Sgn.) Ben J. Gibson, Attorney General of Iowa, Solicitor for the Defendants. Bruce J. Flick, Assistant Attorney General.

(Here follow Exhibits V-1 and V-2, marked side folio pages 109, 110, and 111.)

[fol. 112] And now to wit: On the 2nd day of January, A. D. 1923, there was filed in said cause an Order which is in words and figures as follows:

[fol. 113] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

ORDER OF EXHIBITS—Filed Jan 2, 1923

It is hereby ordered that all Exhibits designated as 1 to 20 on behalf of Complainant and A to Z on behalf of defendants be, and the same are, hereby allowed as part of the record in said cause.
(Sgd.) Martin J. Wade, Judge.

[File endorsement omitted.]

[fol. 114]

CLERK'S CERTIFICATE

UNITED STATES OF AMERICA,
Southern District of Iowa, ss:

I, N. F. Reed, Clerk of the District Court of the United States for the Southern District of Iowa, hereby certify the foregoing 113 pages to contain a full, true and complete transcript of the record of the case of The Chicago, Rock Island & Pacific Railway Company, Complainant, vs. Nathan E. Kendall, Governor of the State of Iowa, et al., Defendants, as called for by the Stipulation of Counsel filed January 2, 1923, as full, true and complete as the original thereof now on file and of record in office in the City of Des Moines, in said District.

I further certify that I transmit herewith as part of the original printed transcript Exhibits and parts of Exhibits as called for by the Stipulation of Counsel filed January 2, 1923, and which are true copies of the original Exhibits.

I further certify that I transmit herewith as part of the original printed transcript the original Citation with acceptance of service thereof by Attorneys for Appellees.

In witness whereof, I hereunto set my hand and affix the seal of said Court at office in the City of Des Moines, in said District, this sixth day of January, A. D. 1923.

N. F. Reed, Clerk U. S. District Court, Southern District of Iowa. [Seal of the U. S. District Court, Southern District of Iowa.]

[fol. 115]

EVIDENCE: EXHIBIT 1

Report of the Special Tax Commission (Appointed May, 1911) to the Governor of Iowa

1912

Authorized by Chapter 204 of the Acts of the Thirty-fourth General Assembly

Des Moines

Emory H. English, State Printer

1912

[fol. 116]

Letter of Transmittal

Honorable B. F. Carroll, Governor of Iowa.

SIR: The Special Tax Commission appointed by you in May, 1911, under the provisions of Chapter 204 of the Acts of the 34th General Assembly, by virtue of which said Commission was authorized to examine into the subject of taxation and the tax laws of the State of Iowa and other states, and to make recommendations for the improvement of the tax laws of the State of Iowa, having completed its work, submit herewith its report for your consideration and transmission to the General Assembly.

Dated October 8, 1912.

M. H. Cohen, Chas. N. Voss, A. C. Ripley, B. E. Stonebraker,
J. H. McConlogue, Commissioners.

[fol. 117]

Preface

In response to a demand which had become quite general throughout the state for a revision of the tax laws, the 34th General Assembly passed a law authorizing the Governor to appoint a Special Tax Commission of five members to investigate the revenue laws of Iowa and of other states and report its findings to the Governor for the use and consideration of the 35th General Assembly, together with a bill or bills to carry out its recommendations. An appropriation of \$10,000 was made for this important work.

On May 17, 1911, Governor B. F. Carroll announced the membership of the Commission as follows: Mr. M. H. Cohen of Des Moines, Mr. C. N. Voss of Davenport, Mr. A. C. Ripley of Garner, Mr. B. E. Stonebraker of Rockwell City, and Mr. J. H. McConlogue of Mason City. At the first meeting, held July 6, 1911, Mr. Cohen was elected President, and Mr. Voss, Vice-president, of the Commission; and at a subsequent meeting on August 2nd, Mr. J. E. Brindley of Ames was appointed to act as Secretary.

Since the time of its organization, the Commission has held twenty-one meetings and has been in session fifty-five days. Sixteen meetings have been held at the State House in the City of Des Moines, one at Richmond, Virginia, during the sessions of the Fifth Annual Conference of the National Tax Association, September 5-7, 1911, and the others at Davenport, Iowa, April 9-10; Topeka, Kansas, April 29-30; and Sioux City, Iowa, June 5-6, 1912. The Commission decided to go to Kansas and make a special study of the practical working of the county assessor and tax commission system of that state; first, because Kansas is a neighboring state where conditions are to some extent much the same as in Iowa; and second, it is generally admitted that the revenue machinery of that state is now being administered with as much success as in any commonwealth of the Union. Members of the Commission also visited Minnesota, [fol. 118] Colorado, Wyoming and California.

In addition to the regular meetings of the Commission, a large part of the detail work has been done through committees. In fact, the original draft of both the county assessor and tax commission bills, which were finally united into one measure, was written by committees appointed by the President of the Commission. The revenue bill, however, including all other reports prepared by committees has been carefully considered by the full membership of the Commission in its regular sessions.

During the numerous meetings of the Commission, three distinct things have been kept in mind: first, the importance of coming into close touch with the taxpayers in order to ascertain what changes are most desired, and would, therefore, be most likely to meet with the approval of the General Assembly; second, the necessity of making a careful investigation of the tax laws of Iowa and of other states; and third, the work of drafting a revenue bill or bills to put in operation desirable and necessary reforms.

It was primarily for the purpose of determining the views of Iowa taxpayers representing the different economic interests that a session of eight days was held January 10-18th of the current year, which was preliminary to a regular State Tax Conference called by Governor Carroll to meet in Des Moines a few weeks later, on March 20-21. Great interest was manifested throughout the state in the deliberations of this Conference. Seventy-four counties and four educational institutions were represented, with two hundred eighty-one official delegates. More than a hundred other taxpayers were present at part or all of the sessions, which means that every section of the state was represented. It was for the same purpose of holding public hearings that meetings were arranged at Davenport and Sioux City, as above indicated.

It is thus apparent that the commission has taken nothing for granted, but has made an earnest effort to study the revenue laws of Iowa and of other states and at the same time ascertain the temper of the public mind regarding various proposed reforms. During all of the public hearings of the Commission, including the State Tax Conference, it has been frankly admitted by nearly every speaker that the primary defect of the present system of

taxation is the lack of efficient responsible administration. In fact, it may be stated that the improved machinery of assessment provided for in the proposed revenue bill is in harmony with the best economic thought and most successful experience and is a necessary basis of other fiscal reforms which may appear advisable from time to time as circumstances may require or experience may direct.

No improvements have been suggested in the method of collecting taxes for the reason that it is generally admitted that our revenue system is more efficient along this line than in the work of assessment and equalization. The fact, however, that approximately \$400,000 is lost annually in the form of delinquent personal property taxes, shows that it is possible to place the collection of this particular tax on a more business-like basis.

Other tax problems are mentioned in Chapter V which have not been incorporated in revenue bills for two reasons: first, some important and perhaps necessary changes are impossible under Article VIII, Section 2, of the present constitution and, therefore, require a constitutional amendment; and second, the Commission believes that before certain reforms can be intelligently recommended, a more thorough investigation of all the facts should be made by a permanent state tax board.

In conclusion, the Commission desires to emphasize the importance of a more rigid economy in public expenditures, both state and local. At the present time, more than nine-tenths of the taxes levied in this state *is* for local purposes, which means that the people themselves, through their local subdivisions of government, are primarily responsible for the larger part of any increase in the amount of taxation. The purpose of more efficient machinery of assessment and equalization is not to increase or decrease taxes as such, but rather to equalize and properly distribute the public burdens. The universal result, however, of more rigid state and county supervision of local assessment is to place a large amount of property, for the most part of an intangible character, on the assessment rolls, which had formerly made no contribution to the public revenue. In other words, the effect of the establishment of the state tax commission and county assessor plan is to reduce the average amount of taxes on property already listed, provided additional levies are not authorized by the people themselves to support the various functions of government. This being true, any presentation of statistics purporting to show that taxes are higher in certain states having tax commissions than in [fols. 120-128] other states which have not established such boards proves nothing at all, for the obvious reason that the levy of taxes is always a legislative function, vested in the people themselves through their chosen representatives, while the assessment and equalization of property is simply an administrative function exercised by assessors and assessment and equalization boards.

The Commission desires to express its appreciation of the courteous treatment it has received from the state officials for information and statistics furnished, and to extend to such officials the thanks of the Commission for the assistance rendered.

The Commission also wishes to acknowledge the work done by Professor John E. Brindley, Secretary of the Commission, and to accord to him credit for valuable assistance in the preparation of our report.

[fol. 129]

Chapter II

The Present Revenue System and Its Defects

Before any one can be expected to understand clearly the defects of the existing revenue system of this state, he must form in his own mind a definite outline of that system in actual operation. As a necessary supplement, therefore, of the brief historical survey already presented, it seems both logical and desirable to draw a cross-section of the present system of assessment and taxation, whereby Iowa now raises more than \$36,000,000 annually for the support of state and local government. Such an outline can be arranged conveniently under the following heads: property subject to and property exempt from taxation; the basis and method of listing or assessment; the administrative machinery of assessment and equalization or review for general property; the assessment of various public service corporations, the levy and collection of taxes; and finally, certain special forms of taxation.

It is a well established principle of law that taxation is the rule, and exemption from taxation the exception. In fact, tax exemption laws are strictly construed, no property being exempted unless clear and explicit legislation has been enacted authorizing the same. Indeed, the burden of proof is on the person claiming exemption and the presumption of law is in favor of liability for taxation.¹

The revenue laws of Iowa, however, provide very liberal exemptions, in fact, more liberal than exist in the majority of states. In common with the general practice, property belonging to one of the various units of government is exempt from taxation on the theory that the township, city, county, state and nation should all enjoy a reasonable amount of freedom of action within their respective spheres of jurisdiction; and that in the last analysis, to tax [fol. 130] public property is simply to take money out of one pocket and pay it to the other. The exemption of municipal, school and drainage bonds or certificates provided for in the session of 1909 would, therefore, appear to rest upon a logical foundation.²

Closely related to property actually owned by the public is that owned by private individuals, associations or corporations, but devoted to public use and not made the basis of private gain. In this class may be mentioned the property of "literary, scientific, charitable, benevolent, agricultural and religious institutions and societies devoted solely to the appropriate objects of those institutions."³

It should be noted, however, that the amount of land exempted

¹ *Farwell vs. Des Moines Brick Manufacturing Co.*, 97 Iowa, 297; *Lacey vs. Davis*, 112 Iowa, 106; *Report of Attorney General of Iowa, 1898*, p. 225.

² *Laws of Iowa*, 33 G. A., Chap. 81.

³ *Code*, Section 1394.

for the use of such an institution is limited to one hundred and sixty acres. This form of exemption is again quite common, in fact, well nigh universal throughout the United States.

In the next place, the statute provides very liberal exemptions in the case of farm produce and farm animals. The liberal exemptions, however, granted to the farmer should be judged in the light of the history of taxation in Iowa. For a generation or more, an effort was made to pass a law securing to the owners of real estate a privilege long enjoyed by those listing moneys and credits, viz: the right to deduct their debts from the value of his real estate. Indeed, efforts along this line have been made for more than one-half century, sometimes in the form of homestead exemption bills and sometimes in the form of actual deduction. Senator A. Converse said, in 1874, that "exemptions should either be expunged altogether or made universal in their application."¹ While the representatives from the rural districts have not been successful in securing a law providing for the deduction of debts from the value of their real estate, they have obtained the liberal exemptions of farm produce and animals, which exemptions, if judged from the impartial verdict of history, must be considered in connection with the deduction of debts from the amount of moneys and credits listed for taxation.

Finally, property exempt from taxation under the laws of Iowa includes the polls or estates of persons who by reason of age or infirmity are not able to contribute to the public revenue, farming utensils, the tools of mechanics and various other items scattered [fol. 131] through the statute which the Commission, however, has collected and placed under the heading of exemptions in the revenue bill. In this connection may be mentioned the exemption of shares of capital stock of manufacturing companies where the real estate, personal property and moneys and credits have been listed in the manner required by law.²

While we believe that the present exemption laws are open to some criticism, no important recommendation is made in this connection for two reasons: first, to modify any part of the exemption law involves the whole question of tax exemptions and therefore affects the entire revenue system; and second, other reforms are more essential and we believe more practicable at this time. In re-drafting the revenue laws, the Commission, however, feel that it would be more convenient and logical to have exemptions placed together rather than scattered through the statute.

As to the basis of assessment or valuation, but little need be added to the facts as stated in the previous chapter. All forms of property subject to ad valorem taxation are supposed to be listed at the actual cash value which has been interpreted by the courts to mean what property will bring on the market in the ordinary course of trade and not at a forced sale. This has been the requirement of law from the beginning of the territorial period and it is now on the

¹The Iowa Daily State Register, Vol. XIII, No. 51, March 5, 1874.

²Code, Section 4319.

statute books of every one of the forty-eight states with the exception of Alabama. While four other states, Illinois, Iowa, Nebraska and Idaho, provide by law for the assessment of property at a fraction of its value, we should bear in mind that the actual listing must be made at the market value as already defined. This being the case, the recommendation of the Commission that property should be listed and assessed at its actual value would seem to rest on the solid foundation of the experience of practically every state.

The manner of listing, however, varies with different classes of property. The general rule is that real estate is listed where the same is located and certain personal property, including moneys and credits, notes, bills, bonds and shares of stock in various corporations, where the owner lives. However, in the actual work of listing there are, of course, numerous exceptions to this general rule. For example, in many cases property must be listed by an agent, who may be a person or corporation.

[fol. 132] The revenue law provides special regulations in the case of commission merchants, grain, ice and coal dealers, partnerships, merchants, manufacturers and corporation stock. The stock of goods of a merchant, and those materials of a manufacturer on hand or in process of being worked up into the final product, are assessed "at the average value of the stock during the year next preceding the time of assessment."⁷ The machinery used by a manufacturer is regarded as real estate for the purposes of taxation, and, as already noted, the shares of stock under certain conditions are exempted from taxation.

The shares of stock of any corporation organized under the laws of this state, unless otherwise provided by law, are assessed to the owners of the same at the place where its principal business is transacted. In listing such stock, the amount of capital actually invested in real estate must be deducted and assessed where the same is located. It should be noted, however, that in making this deduction "the actual value at which said real estate is valued by the assessor or other taxing officer or body where the same is assessed shall be the value thereof."⁸ Finally, corporations, unless otherwise provided, are made liable for the payment of taxes assessed to the stockholders and are given the necessary authority to recover the amount of the tax.

The listing of the property of banks, water and gas works, electric light plants and street railways, practically completes the forms of property subject to local assessment. In the case of private bankers, the listing is made at the "aggregate actual value of moneys and credits, after deducting therefrom the amount of deposits, and the aggregate actual value of bonds and stocks after deducting the portion thereof otherwise taxed in this state," and all other property pertaining to the business, including real estate, is assessed in the usual manner.⁹ It should be stated, however, that the Thirty-fourth General Assembly in 1911 enacted a law providing that state, sav-

⁷ Code, Sections 1318, 1319.

⁸ Code, Section 1324.

⁹ Code, Section 1321.

ings and national bank stock and loan and trust company stock and moneyed capital in competition with banks should be assessed and taxed at twenty per cent rather than twenty-five per cent of the actual value thereof. This reduction from one-fourth to one-fifth [fol. 133] being greatly under-assessed, or, as the law provides, the twenty per cent provision was adopted in order to place bank stock "on a taxable value relatively equal to the taxable value at which other property is now actually assessed throughout the state as compared with the value thereof."¹⁰

Moreover, it was further provided in the same act "that no deduction for debts shall be allowed from the shares of stock of any state, savings or national bank or loan and trust company, nor from moneyed capital used in competition with banks, within the meaning of Section five thousand two hundred and nineteen (5,219) of the revised statutes of the United States."

Concluding our brief discussion of the numerous forms of property listed by local assessors, it should be stated: first, that moneys, credits and corporation shares of stock, unless specifically exempted by law or otherwise assessed, and excepting shares of stock of national, state and savings banks and loan and trust companies, and moneyed capital in competition with banks, are taxed on the uniform basis of five mills on the dollar of actual valuation, the same to be assessed and collected where the owner resides;¹¹ second, that in listing moneys and credits in general, including the actual value of building and loan shares, the owner is entitled to deduct the amount of his just debts; third, that shares of stock in manufacturing companies are entirely exempt from taxation provided their real estate and personal property, including moneys and credits, has been listed in the manner provided by the statute; and finally, no deduction of debts, as already noted, is made from the shares of stock of banks or from moneyed capital in competition with banks.

The property, however, listed by local assessors and subject to review or equalization by township, county and state boards respectively, does not include all the property subject to ad valorem taxation in Iowa. We have already noted that the gross receipts system of railway taxation was abolished in 1872 and the ad valorem system established, the assessment to be made by the state executive council. Assessment in the same manner has gradually been applied to other public service corporations. At the present time, the property of railroads, telegraph and telephone companies, express companies, freight line and equipment companies, and all similar [fol. 134] state wide public service corporations, is assessed by the Executive Council.

In each case, the assessment is made on the basis of reports required by law to be submitted by the corporations to the Council. The report filed by the railroads includes practically all the various items of physical property, also gross and net earnings of the entire

¹⁰ Laws of Iowa, 34th G. A., Chap. 63.

¹¹ Laws of Iowa, 34th G. A., Chap. 63.

road, gross and net earnings within the state, and, finally, operating expenses of the entire road, including a separate statement of operating expenses within the state.¹² The report made by telegraph, telephone and express companies are of substantially the same character, except that a statement of the total capital stock of the company, the number of shares of capital stock issued and outstanding, and the par or face value of each share, also the market value of the same, must be included. An effort was made in 1902 to require a similar statement regarding capital stock from the railroads, but the bill failed to pass.

From the standpoint of tax distribution, it should be suggested at this time that with the exception of freight line and equipment companies, the assessed value of the property of public service corporations is distributed by the Executive Council on a main track mileage basis among the various counties of the state, and divided by the county boards of supervisors among the minor civil divisions for taxation on the same basis as the property of individuals. In the case of freight line and equipment companies, it is made the duty of the Executive Council to "determine the rate of tax to be levied and collected upon said assessments, which shall be equal, as nearly as may be, to the average rate of taxes, state, county, municipal and local, levied throughout the state the previous year."¹³ The tax thus levied and collected is in lieu of all other taxes, except on real estate and personal property locally assessed, and is collected by the State Treasurer.

We come next to the all important problem of administration. The administrative machinery of assessment and taxation may be very briefly outlined. All property in the state subject to ad valorem taxation, except the property of certain public service corporations as above outlined, is listed by local assessors in the civil townships, towns and cities of the state. There are more than two thousand local assessors, and, with the exception of a few cases in the cities, they are elected biennially by the people. The work of [fol. 135] these assessors commences on the second Monday in January, and must be completed by April first. In a very real sense, this important work forms the basis of our revenue system, which is no better and no worse than the hopelessly decentralized and inefficient system of local assessment established in 1858 and which has continued to the present time.

After the completion of the assessment and the making of the assessment rolls, the work of review or equalization by local boards follows. The assessment rolls are required to be laid before the local board of review on or before the first Monday in April, it being made the duty of the township trustees or town or city council or commission to meet and adjust individual assessments in such manner as to secure the listing of all taxable property at its actual value. This important work, commenced on the first Monday of April, must be completed not later than the first day of May,

¹² Code, Section 1324.

¹³ Code, Section 1324-d.

and represents the only means of correcting individual assessments now provided for by the revenue laws of this State.

Local review is followed by county review, which is vested in the county board of supervisors, it being made the duty of said board at their regular meeting in June to adjust the assessments of the several townships, cities and towns of their county by adding to or deducting from the assessed value of the property in the same manner that the State adjusts assessments of the several counties of the State. In other words, county boards of supervisors may increase or decrease the aggregate assessment of a minor civil division, but are not clothed with authority to correct individual assessments. Finally, on the basis of reports submitted by the various county auditors to the State Auditor and by the State Auditor to the Executive Council, it is made the duty of the latter to act as a State Board of Review. Sitting in this capacity, the Executive Council may increase or decrease the aggregate assessed value of any county of the State and in fact may increase the total aggregate assessed value of the entire State. The council, however, the same as the county board of review, has no authority to correct individual assessments.

The making out of the tax list by the county auditors, filing of the same with the county treasurers, furnishing the Auditor of State with a certified statement "showing separately the aggregate full and taxable valuation of the real and personal property in the county, [fol. 136] and also the aggregate amount of each separate tax as shown by the tax list,"¹⁴ the levy of taxes in the various sub-divisions of government, the collection of taxes by the county treasurers, with the exception of the inheritance tax, insurance taxes and the tax on freight line and equipment companies which are collected by the State Treasurer, completes in general outline the machinery of assessment and taxation which now prevails in Iowa.

At the basis of the fiscal pyramid, we have the work of more than two thousand local assessors and the correction of individual assessments by local review boards composed of more than six thousand officials. Add to this long list the county boards of supervisors, county treasurers and auditors and the State Executive Council and we have an army of assessment and taxation officials composed of about ten thousand men without any central supervision or control either in the county or State.

It should be noted especially that the only authority which has power to correct errors made by the local assessors is the local board of review of which there are from eighteen to thirty in the average county of Iowa. This means that the township or other minor civil division is the important unit of local government from the standpoint of assessment on the one hand and the review or correction of individual assessments on the other. The county board of supervisors under such a system is absolutely powerless to bring about anything approaching uniformity among the minor subdivisions of a county. In fact, no adequate authority is now provided in the revenue laws of Iowa whereby the county is able to guarantee uniformity of assess-

¹⁴ Revenue Laws of Iowa, 1911, p. 96.

ment within its borders. For these and other reasons the Executive Council, acting as a State Board of Review, is not able to bring about uniformity of assessment as between the various counties of the State without doing great injustice to many individual taxpayers. The necessity of having uniformity as between the minor subdivisions of the county and at the same time among the various counties of the State is the basis of the recommendation of this Commission that a county assessor or supervisor of local assessments and a permanent State tax commission be created.

Having outlined what we believe to be an antiquated system of assessment and taxation, which in some measure is borrowed from the territorial period and has continued in force since 1872, substantially [fol. 137] in its present form, we will not consider the success or failure of the plan itself in actual operation. For this purpose, we have prepared and herewith submit the following table of statistics.

Table I represents the total amount of taxes levied for State and local purposes in Iowa from 1873 to 1911, thus showing the rapid and constant increase of the cost of State and local government. It appears that the total revenue for all purposes amounted to only \$9,360,451.79 in 1873; \$10,457,982.14 in 1880, as compared with \$15,563,974.05 in 1890; \$19,726,789.80 in 1900; \$27,550,669.81 in 1907; and \$36,197,221.58 in 1911. This enormous increase of public expenditures especially in recent years is primarily responsible for the popular interest now being taken in the important subject of assessment and taxation. If the people of Iowa are to raise more than \$36,000,000 annually for the support of State and local government, which is practically double the amount levied only twelve years ago, it is highly important that this burden should be equally distributed among the taxpayers, both as to individuals and corporations. Thus with the constantly increasing public burdens, uniformity of assessment, which is the necessary basis of equality in taxation, has become more and more imperative.

[fol. 138]

TABLE I^a*Total Amount of Taxes Levied for State and Local Purposes, 1873-1911*

Year	Amount	Year	Amount
1873	\$9,360,451.79	1893	\$18,297,497.54
1874	9,574,408.07	1894	18,497,483.75
1875	10,288,721.77	1895	18,785,907.49
1876	10,699,762.39	1896	18,584,429.67
1877	10,561,694.89	1897	18,353,994.81
1878	10,763,602.57	1898	18,692,480.60
1879	10,146,041.04	1899	18,891,742.78
1880	10,457,982.14	1900	19,726,789.80
1881	11,183,576.21	1901	20,600,044.23
1882	12,204,493.69	1902	22,542,580.45
1883	13,261,251.27	1903	25,657,913.58
1884	13,978,912.62	1904	25,693,543.33
1885	14,430,547.40	1905	26,061,977.03
1886	14,953,060.65	1906	26,333,163.31
1887	14,278,817.31	1907	27,550,669.84
1888	14,732,286.34	1908	29,248,378.54
1889	15,483,328.74	1909	30,747,416.51
1890	15,563,974.05	1910	32,500,045.88
1891	16,043,081.44	1911	36,197,221.58
1892	16,889,671.34		

One additional point should be suggested with reference to Table I. We refer to the comparative amounts of State and local revenue. In 1873, the taxes raised by the State represented approximately one-tenth of the total revenue of \$9,360,451.79. In 1880, there was a State levy of about \$1,000,000 as compared with the levy for State and local purposes of \$10,457,982.14. In 1885, the total revenue was more than twelve times the State levy, which is approximately the ratio prevailing at the present time. Indeed, the burden of taxation has always been largely a local burden, and, therefore, if uniformity of assessment is a necessary basis of State levies, it is vastly more essential when judged from the more important standpoint of local taxation.

Table II gives the total and per capita assessed valuation for certain years from 1856 to 1900 inclusive. In 1856, when Iowa was for the most part a pioneer State with a population of 517,878, the assessed [fol. 139] valuation was \$164,394,413.00 or \$317.44 per capita. In 1875, when the population had reached 1,350,553, the per capita assessed valuation had fallen to \$293.52; and in 1885, with a population of 1,753,980, there was a per capita assessed valuation of only \$279.17. Finally, it should be noted that the per capita assessed valuation, which in 1857 reached the large sum of \$373.13, was only \$241.83 in 1900 and \$311.59 in 1910.

^a Data compiled from the Reports of Auditor of State.

TABLE II

Total and per Capita Assessed Valuation

Years	Population	Assessed Valuation	Valuation Per Capita
1856.....	517,875	\$164,394,413	\$317.41
1857.....	562,930	210,044,533	373.13
1859.....	641,628	197,823,350	308.31
1861.....	685,713	177,244,316	251.19
1863.....	701,093	167,108,974	238.55
1865.....	756,427	215,063,401	281.31
1867.....	902,317	256,517,184	281.28
1869.....	1,045,025	294,532,252	281.84
1871.....	1,217,900	348,642,728	286.23
1873.....	1,251,340	369,124,912	294.98
1875.....	1,350,553	395,423,140	293.52
1877.....	1,445,900	404,670,044	279.87
1879.....	1,541,000	405,541,397	262.11
1881.....	1,660,000	419,102,728	252.47
1883.....	1,700,000	463,824,466	272.83
1885.....	1,753,980	489,660,081	279.17
1890.....	1,911,896	523,861,858	273.47
1900.....	2,231,853	539,737,596	341.83
1910.....	2,224,771	693,211,177	311.59

With reference to this relation between the growth of population and increase of assessed valuation, the Auditor of State in 1885 made the following significant statement:

"The total equalized valuation of property is \$489,660,081. That this figure very inadequately represents the wealth of the state needs no argument to establish. It is palpable. No observing person will contend that the state's growth in population until it now contains one and three-fourths millions of people within its borders, has not been accompanied with a much greater increase in wealth, both aggregate and productive. Yet the figures of the assessors would indicate far otherwise. * * * These figures show that, while the population of the state has increased in the last twenty-nine years 238 per cent, the assessed valuation of property has been raised only 198 per cent."¹⁰

[fol. 140] The obvious reason for this decrease in per capita assessed valuation in spite of the fact that the wealth of Iowa has increased more rapidly than the population is apparent. From a consideration of Table III, which gives the actual and assessed value of taxable property for the years 1850, 1860, 1870, 1880, 1890, 1900 and 1904, it appears that in 1850 the revenue system was fairly well adapted to the pioneer conditions of that time when practically all

¹⁰ Report of Auditor of State 1885, p. 128.

property was visible and consisted of real estate. The assessed value as given in the Report of the Auditor of State was nearly 100 per cent of the actual value as shown by the Federal Census Report. It will be observed, however, that the assessed value has declined very rapidly. While the census figures of actual valuation for 1910 are not yet available, it is a matter of common knowledge, in fact, is generally admitted, that property on an average is now being listed at approximately one-half of its value and assessed at one-fourth of that sum.

TABLE III¹⁷*Actual and Assessed Value of Taxable Property 1850-1904*

Date	Actual value	Assessed value	Per cent
1850.....	\$23,714,638	\$22,623,334	95
1860.....	217,338,265	185,000,000	75
1870.....	574,115,800	294,532,252	51
1880.....	1,721,000,000	409,819,020	23
1890.....	2,226,117,151	523,862,858	23
1900.....	3,271,559,959	539,737,596	13
1904.....	3,943,314,927	642,445,336	16

Table IV gives statistics of average assessed value by counties and has been compiled from data received from the county recorders and county treasurers of the state.

[fol. 141]

TABLE IV¹⁸*A Study of Assessment by Counties*

Name of county	No. of transfers	No. of acres	Sale value	Taxable value	Per cent of taxable to sale value
Adair	47	5,753	\$512,144	\$56,952	11
Adams	34	3,400	396,131	36,065	11
Audubon	50	5,808	706,981	74,525	11
Black Hawk	26	3,546	341,276	35,537	10
Boone	37	3,535	352,085	43,305	12
Bremer	24	.....	154,308	20,240	13
Carroll	32	3,110	381,100	37,663	10
Calhoun	42	.....	486,983	55,515	11
Cass	17	1,797	191,954	22,195	11
Cerro Gordo	38	4,984	391,773	53,371	11
Cherokee	37	.....	486,335	41,048	8
Clay	24	3,355	294,363	31,951	10
Clayton	27	2,049	134,569	14,378	10

¹⁷ Data compiled from the Federal Census Reports for actual valuation and from the Reports of the Auditor of State for assessed valuation.

¹⁸ It will be understood that the listed value and per cent of listed to sale value of farm lands is four times the taxable value and per cent of taxable to sale value as given in this Table, and also in Tables VIII XII. In other words, where the taxable value is 13 per cent of the sale value as given in the last column of said tables, it means that said land is now being listed by the assessor at 52 per cent of what it would bring on the market in the ordinary course of trade.

Name of county	No. of transfers	No. of acres	Sale value	Taxable value	Per cent of taxable to sale value
Clinton	40	4,038	414,583	49,400	11
Crawford	22	.....	309,128	41,187	13
Davis	36	2,940	188,385	28,101	14
Decatur	43	6,194	399,157	53,050	13
Dubuque	24	2,326	224,580	31,904	14
Emmet	48	7,391	490,521	71,928	14
Floyd	24	2,646	293,420	29,647	12
Fremont	23	2,793	258,175	26,480	10
Greene	44	6,183	679,255	65,849	10
Grundy	35	.....	685,872	70,713	10
Hancock	48	8,738	657,315	69,054	11
Hardin	19	.....	305,332	35,970	14
Harrison	24	.....	288,870	42,229	14
Humboldt	49	.....	436,333	79,491	11
Jefferson	25	2,801	231,446	36,617	11
Linn	5	365	44,200	7,650	15
Louisa	29	.....	213,087	23,421	10
Lyon	28	4,713	399,526	59,267	13
Marion	40	3,632	346,484	47,593	11
Marshall	47	.....	704,879	86,176	12
Mitchell	19	3,529	289,659	32,793	11
Montgomery	44	.....	708,376	78,398	11
Muscatine	22	2,082	217,280	31,790	10
[fol. 142]					
O'Brien	49	7,391	795,597	88,028	11
Page	44	4,580	606,165	72,478	10
Palo Alto	39	5,638	475,761	53,952	11
Plymouth	48	6,014	663,404	68,326	10
Pocahontas	44	8,100	778,554	94,006	12
Polk	29	2,480	269,625	40,825	15
Pottawattamie	24	2,813	343,481	37,200	11
Poweshiek	44	5,420	743,675	75,632	10
Ringgold	43	4,977	292,385	42,200	15
Sac	43	.....	582,863	62,745	11
Sioux	36	4,375	606,540	59,795	10
Story	42	.....	655,427	68,939	15
Taylor	48	.....	465,189	45,588	10
Van Buren	27	2,386	149,810	.....	15
Washington	25	2,428	340,540	45,458	13
Wayne	34	3,372	226,160	31,348	13
Webster	39	4,446	379,062	51,480	13
Winnebago	22	.....	172,512	26,238	15

This Commission sent out blank forms, to the county recorder in order to ascertain the sale value of farm lands well distributed over the county. No tracts of less than forty acres were included and instructions were given that all sales should be omitted that were clearly based on a nominal or fictitious consideration. In this blank, nothing was said about taxable values; but when the sale value of said pieces of land was obtained, the descriptions of such tracts were placed on a separate blank and sent to the county treasurer, with a request that he place opposite the description of each tract the taxable value thereof. In this way the Commission secured more reliable data than would have been obtained by asking for it all on one blank, for the obvious reason that many county

officials might be anxious to make the best possible showing for their own county.

While we were obliged to secure data of assessed and sale value through the co-operation of county officials, it is believed for reasons above suggested that the results are reasonably accurate and sufficient for the purposes of the Commission. Other states like Wisconsin, Minnesota, and Kansas have made a much more comprehensive study of assessed and sale value but this has been done by permanent tax commissions, granted sufficient appropriations and possessing all the [fol. 143] necessary time to do the work on a thorough, scientific basis.

A glance of Table IV which gives the number of transfers, number of acres sold, sale value, taxable value, and per cent of taxable to sale value in more than one-half of the counties of the state, shows that the taxable value of Iowa lands is approximately 12 per cent of the sale value. This means that the listed value of farm lands is slightly less than half of the sale value according to the statistics returned by the county recorders and county treasurers. It also appears that the average assessed value ranges from about 10 per cent in Carroll, Plymouth and Sioux counties to 13 per cent in Crawford, Decatur, Lyon and Washington, and 15 per cent in Polk, Ringgold, Taylor and Winnebago. In other words, Table IV shows, a very decided under-assessment of farm lands, and also substantial inequalities in the average assessed value of this class of property as between the various counties of the state. While it is not contended that this data is absolutely correct, it should be stated that the results check up fairly well with other sources of information along similar lines.

In 1909, the Executive Council sent out blanks in order to ascertain the actual and assessed value of farm lands in the various counties of the state, said information to be used as a basis of review of equalization of aggregate county assessments, and at the same time to enable the Council to form a more accurate judgment as to the comparative assessed valuation of farm lands and railroad property. Table V gives the information along this line which was secured by the Secretary of the Executive Council. In fact, this table gives the per cent of assessed to sale value both in 1903 and 1909, the same being the only dates when information of this character was secured.

(Here follows Table V, marked side folio pages 144 and 145.)

On May 3, 1903, the Secretary of the Executive Council addressed the following letter to all county auditors:

"The Executive Council having determined that it is desirable that data be gathered relative to the actual value of lands and other property in the several counties of the state, I am directed by the governor to request, under the authority of Section 544 of the Code, that you furnish during the current month a list of lands that have been conveyed in your county between the dates May 1, 1908, and May 1,

1909, by deeds, representing the real sale value thereof, together with the actual values placed upon the same by the several assessors and as equalized by the township and county boards of equalization. [fol. 146] In selecting the tracts, endeavor to select tracts from each township of the county, if possible. Select tracts of 160 acres or more in preference to smaller tracts, and in no case select tracts of less than 40 acres. Do not report more than six descriptions in the same township nor more than an average of three for all the townships of the county. Discard transfers based on contracts made prior to 1908, where you can determine the fact from the conveyance or from information in your possession. Discard quit claim deeds and all other deeds that for any reason do not represent the actual value or present value. With this letter will be sent a printed form for the land transfers."

While the data thus collected may be incomplete the same as similar data collected by this Commission, it represents fairly well the actual conditions now prevailing in Iowa. In 1903, the ratio of assessed to sale value was as follows in selected counties: Adair, 63 per cent; Adams, 87 per cent; Appanoose, 91 per cent; Monona, 65 per cent; Polk, 93 per cent; and Warren, 100 per cent. In the same list of counties the ratio of assessed to actual sale value was as follows in 1909: Adair, 52 per cent; Adams, 52 per cent; Appanoose, 75 per cent; Monona, 57 per cent; Polk, 57 per cent; and Warren, 69 per cent. Two conclusions are apparent from a study of this table; first, that the assessed valuation decreased very materially, the general average being eighty per cent in 1903, as compared with fifty-five per cent in 1909; and second, gross inequalities exist as between the aggregate assessed valuations of the various counties of the state.

Information of this same general character has also been furnished by the representatives of the railroad companies, for the period January 1, 1910, to June, 1911, covering thirteen counties, including 3,912 transfers and 530,373 acres of farm land. As so presented, Table VI gives the number of sales, acres sold, average price per acre, average assessed value per acre under 1909 assessment of land sold, ratio of 1909 assessed value to sale price during period, estimated average true value per acre of entire county as of January 1, 1911, and ratio of 1909 assessed value to estimated true value of January 1, 1911.

TABLE VI
Land Values in Iowa, January 1st, 1911

(Based on Land Sales Jan. 1, 1910, to May and June, 1911)

County	Number of sales	Acres sold	Average price per acre, dollars	Average assessed value per acre under 1909 assessment of lands sold, dollars	Ratio of 1909 assessed value to sale price during period, percent	Average assessed value per acre of entire county under 1909 assessment, dollars	Average true value per acre of entire county during period, dollars	Estimated average true value per acre of entire county as of Jan. 1st, 1911, dollars	Ratio of 1909 assessed value to estimated true value of Jan. 1st, 1911, per cent
1	2	3	4	5	6	7	8	9	10
Lyon	182	30,654	94.68	39.81	42.65	40.44	96.17	104.00	38.88
Osceola	250	44,984	76.94	35.13	45.66	37.20	81.47	84.00	44.29
Sioux	280	36,082	115.70	42.67	36.89	43.24	117.21	128.00	33.78
O'Brien	272	41,353	97.03	40.03	41.26	40.76	98.79	105.00	38.82
Plymouth	354	50,875	98.97	39.96	39.96	41.25	103.23	114.00	36.19
Woodbury	544	75,415	84.36	33.36	39.54	37.35	94.46	103.00	36.25
Harrison	395	43,348	84.84	35.95	42.38	37.71	88.98	92.00	40.99
Carroll	289	35,981	111.89	47.78	42.70	49.71	116.42	120.00	41.42
Marshall	176	18,897	119.21	52.31	43.88	53.17	121.17	124.00	42.88
Linn	214	23,296	105.14	53.03	50.44	52.78	104.64	109.00	48.42
Fayette	382	46,187	78.17	40.83	52.23	41.78	79.99	82.00	50.95
Palo Alto	258	36,015	69.43	31.59	45.50	32.21	70.79	72.00	44.73
Cerro Gordo	316	47,286	80.95	41.62	51.41	43.16	83.96	86.00	50.19
Group	3,912	530,373	91.00	39.63	43.55	42.76	98.19	102.82	41.59

Briefly stated, the data thus compiled shows that farm lands are now being assessed in the thirteen counties investigated for only 41.59 per cent of their present full value. In submitting this table to the Executive Council on July 10, 1911, it was alleged that the average assessed value on all farm lands in the State of Iowa was substantially less than the assessed value of town lots on the one hand or railroad property on the other. For example, the ratio of assessed value to sale price of town lots was 54.25 per cent as compared with the ratio of 43.55 prevailing as to farm lands in the same counties during the same period. The ratio of assessed to sale values in various cities and villages according to the report now under consideration was as follows: Alton, 42.53 per cent; Ashton, 58.63 per cent; Carroll, 54.51 per cent; Clear Lake, 58.21 per cent; Doon, 58.86 per cent; Emmetsburg, 58.11 per cent; Hospers, 50.21 per cent; Le Mars, 66.71 per cent; Logan, 65.21 per cent; Manning, 39.40 per cent; Missouri Valley, 66.21 per cent; Oswein, 52.66 per cent; Rock Rapids, 61.51 per cent; Ruthven, 68.50 per cent; Sheldon, 51.85 per cent; Sibley, 69.44 per cent; Sioux City, 49.75 per cent [fol. 148] cent; State Center, 47.95 per cent; West Union, 67.89 per cent.¹⁹

The same authority made the following significant statement:

"The unfair advantage which acre property has over city and village real estate and railroad property, with respect to standard valuation applied thereto in assessments, is rapidly increasing. Farm land values are advancing in Iowa at present at not less than 10% per annum. City and village real estate is increasing in value very slowly, certainly at not more than 3 per cent per annum on the average. The unfairness complained of will not cure itself; on the contrary, it will continue to grow worse. For the Executive Council to do nothing at this juncture constitutes a sanction by it of the existing injustice and would imply a conscious willingness that such injustice be increased rather than diminished. In this case, inaction is action.

"Justice to the owners of city and village real estate, as well as justice to the railroads, requires that the assessed valuation of farm lands be substantially increased (certainly not less than 10 per cent for the state as a whole) and that assessed value of city and village real estate and of railroad property be not increased."

Table VII, which was prepared by the Council in 1911, shows that the aggregate assessed value of every county in the state was increased, the same ranging in amount from $7\frac{1}{2}$ per cent to $22\frac{1}{2}$ per cent. The aggregate assessed value of Crawford, Delaware, Fremont, Madison, Plymouth, Ringgold, Shelby and Winnebago counties was increased $22\frac{1}{2}$ per cent and that of Chickasaw, 20 per cent. In the following counties the increase of assessed value was $17\frac{1}{2}$ per cent: Adair, Allamakee, Appanoose, Buena Vista, Cass,

¹⁹ Land Values and Railroad Values in Iowa, in 1911, the same being a Table and Argument submitted to the Executive Council of Iowa on July 10, 1911, on behalf of the C., St. P. M. & O. Ry. Co. by T. A. Polleys, its Tax Commissioner.

Cherokee, Clarke, Clayton, Clinton, Decatur, Dubuque, Greene, Guthrie, Hancock, Harrison, Humboldt, Jackson, Lucas, Lyon, Mahaska, Monroe, O'Brien, Osceola, Palo Alto, Sioux, Taylor, Warren, Winneshiek and Woodbury. Briefly stated, the increase of aggregate assessed valuation was as follows in different groups of counties: $7\frac{1}{2}$ per cent in 28 counties; 10 per cent in 8 counties; $12\frac{1}{2}$ per cent in 21 counties; 15 per cent in 4 counties; $17\frac{1}{2}$ per cent in 29 counties; 20 per cent in 1 county, and $22\frac{1}{2}$ per cent in 8 counties. This means an approximate average increase of about $12\frac{1}{2}$ per cent on all the farm lands of the state.

The question may very properly be asked, on what basis did the Executive Council increase the assessed value of farm lands from [fol. 149] $7\frac{1}{2}$ per cent to $22\frac{1}{2}$ per cent in the various counties of the state while making no change in the assessment of city real estate? It does not appear that the Council had before it data showing the ratio of assessed to sale value of farm lands in the different counties for 1911. In the absence of statistics of this kind, the Council was obliged to rely: first, on its own general estimate of farm values throughout the state; and second, the data showing assessed and sale values of farm lands compiled by interested parties, the correctness of which was unknown to the Council. We have no doubt that the Executive Council acted with the best of intentions and on the basis of all the facts which it was possible or at least practicable to collect in the short time at its disposal to complete the work of review and equalization.

TABLE VII

Increase of County Assessments by Executive Council, 1911

County	Per cent	County	Per cent
Adair	$17\frac{1}{2}$	Decatur	$17\frac{1}{2}$
Adams	$12\frac{1}{2}$	Delaware	$22\frac{1}{2}$
Allamakee	$17\frac{1}{2}$	Des Moines	$7\frac{1}{2}$
Appanoose	$17\frac{1}{2}$	Dickinson	$7\frac{1}{2}$
Audubon	$12\frac{1}{2}$	Dubuque	$17\frac{1}{2}$
Benton	$7\frac{1}{2}$	Emmet	$12\frac{1}{2}$
Black Hawk	$12\frac{1}{2}$	Fayette	$12\frac{1}{2}$
Boone	$7\frac{1}{2}$	Floyd	$12\frac{1}{2}$
Bremer	$12\frac{1}{2}$	Franklin	$7\frac{1}{2}$
Buchanan	$12\frac{1}{2}$	Fremont	$22\frac{1}{2}$
Buena Vista	$17\frac{1}{2}$	Greene	$17\frac{1}{2}$
Butler	$7\frac{1}{2}$	Grundy	10
Calhoun	$12\frac{1}{2}$	Guthrie	$17\frac{1}{2}$
Carroll	$7\frac{1}{2}$	Hamilton	$7\frac{1}{2}$
Cass	$17\frac{1}{2}$	Hancock	$17\frac{1}{2}$
Cedar	$7\frac{1}{2}$	Hardin	$12\frac{1}{2}$
Cerro Gordo	$7\frac{1}{2}$	Harrison	$17\frac{1}{2}$
Cherokee	$17\frac{1}{2}$	Henry	$7\frac{1}{2}$
Chickasaw	20	Howard	15
Clarke	$17\frac{1}{2}$	Humboldt	$17\frac{1}{2}$

County	Per cent	County	Per cent
Clay	71 ¹ / ₂	Ida	71 ¹ / ₂
Clayton	17	Iowa	15
Clinton	171 ¹ / ₂	Jackson	171 ¹ / ₂
Crawford	221 ¹ / ₂	Jasper	71 ¹ / ₂
Dallas	71 ¹ / ₂	Jefferson	121 ¹ / ₂
Davis	121 ¹ / ₂	Johnson	10

[fol. 150]

Jones	10	Polk	71 ¹ / ₂
Keokuk	10	Pottawattamie	71 ¹ / ₂
Kossuth	121 ¹ / ₂	Poweshiek	121 ¹ / ₂
Lee	121 ¹ / ₂	Ringgold	221 ¹ / ₂
Linn	71 ¹ / ₂	Sac	121 ¹ / ₂
Louisa	121 ¹ / ₂	Scott	71 ¹ / ₂
Lucas	171 ¹ / ₂	Shelby	221 ¹ / ₂
Lyon	171 ¹ / ₂	Sioux	171 ¹ / ₂
Madison	221 ¹ / ₂	Story	10
Mahaska	171 ¹ / ₂	Tama	71 ¹ / ₂
Marion	121 ¹ / ₂	Taylor	171 ¹ / ₂
Marshall	71 ¹ / ₂	Union	71 ¹ / ₂
Mills	10	Van Buren	71 ¹ / ₂
Mitchell	10	Wapello	71 ¹ / ₂
Monona	121 ¹ / ₂	Warren	171 ¹ / ₂
Monroe	171 ¹ / ₂	Washington	15
Montgomery	121 ¹ / ₂	Wayne	71 ¹ / ₂
Muscatine	71 ¹ / ₂	Webster	121 ¹ / ₂
O'Brien	171 ¹ / ₂	Winnebago	221 ¹ / ₂
Osceola	171 ¹ / ₂	Winneshiek	171 ¹ / ₂
Page	71 ¹ / ₂	Woodbury	171 ¹ / ₂
Palo Alto	171 ¹ / ₂	Worth	10
Plymouth	221 ¹ / ₂	Wright	15
Pocahontas	71 ¹ / ₂		

This Commission has no criticisms to offer concerning the action of the Executive Council in making the increased assessments above outlined; nor does the Commission pass any judgment as to the equity of the increase made by the Council in any county or group of counties. Indeed, the more one investigates the tax question in general, the less he is inclined to criticise any particular official or board, beginning with the local assessor and ending with the State Board of Review, and the more he is compelled to realize that the primary fault is with the system itself, which by its provisions is almost entirely ex officio in its personnel, and, therefore, inefficient in its actual operation.

The equalization made in 1911 by the Council, or any equalization in the past or which may be made in the future, is open to most serious criticism under the existing revenue system for the following definite reasons: No trustworthy data can be secured through public channels at the present time, affording easy comparison as between assessed and sale value of farm lands; the same

[fol. 151] is true regarding town lots; and the assessment of the railroads and similar public service corporations is based on reports required to be submitted to the Council, the correctness of which they have no personal knowledge. This being the case, the work of review or equalization, first by the county boards of supervisors, and later by the Executive Council, must be very unsatisfactory and will continue to be so until adequate revenue machinery is provided similar to that outlined in the bill drafted by the Commission.

It should be one of the important duties of the county assessor to collect statistics of sale values, both of farm lands and town lots. Moreover, it should be one of the important functions of a permanent tax commission to make a complete inventory of all the property of the so-called public service corporations in order to form some intelligent idea as to whether or not that class of property is being assessed higher or lower than farm lands on the one hand or city property on the other. The equalization made in 1911 would tend to show that statistics of this kind are desirable to secure an equitable distribution of the public burdens, and that owners of all classes of property will be benefited by creating the office of county assessor and a permanent tax commission in order to obtain the necessary information on which to base a more accurate and trustworthy review of assessments.

Tables III to XII, inclusive, give the taxable and sale value of individual tracts of real estate well distributed over the following counties: Adair, Boone, Cerro Gordo, Hancock and Wayne. The under-valuation of property already outlined and the absence of adequate information on which to compare the assessed values of farm lands and city property with that of public service corporations in making equalization by the Executive Council, while a serious defect, is by no means the most important one in the present revenue system. Inequalities between various classes of property are undesirable and should be removed by a more efficient system of assessment and equalization, but the most serious objection, however, lies behind and deeper than the mere question of comparative aggregate assessments of taxing districts or of different forms of property. We refer to the inequalities between individual property holders whether persons or corporations.

[fol. 152]

TABLE VIII

Adair County

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
1	80	\$8,800	\$836	9.5
2	80	5,000	724	14
3	160	24,000	2,291	10
4	40	3,500	357	10
5	80	4,800	633	13
6	200	12,000	1,163	10

TABLE VIII—*Continued*
Adair County—Continued

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
7	80	4,960	871	18
8	160	10,000	1,764	18
9	80	7,200	642	9
10	160	22,500	1,650	7
11	254	20,170	2,324	12
12	160	16,000	1,650	10
13	80	7,600	792	10
14	160	11,000	1,466	13
15	83	6,200	862	14
16	160	14,400	2,010	14
17	40	2,200	371	18
18	240	24,000	2,705	9
19	80	6,500	719	11
20	160	11,200	1,485	13
21	81	8,000	846	11
22	160	12,000	1,476	12
23	180	4,800	633	13
24	73	9,700	948	10
25	160	17,600	1,557	9
26	160	15,100	1,559	10
27	80	5,900	792	14
28	80	7,200	881	12
29	80	7,200	724	18
30	100	14,500	1,140	10
31	80	6,800	705	11
32	160	8,800	1,175	13
33	84	7,824	732	9
34	160	15,600	1,569	10
35	160	12,000	1,557	13
36	160	16,000	1,650	10
37	14	16,200	1,409	9
38	70	5,000	550	11
39	130	13,760	1,650	12
40	80	8,800	995	11
41	80	7,000	719	10
[fol. 153]				
42	160	19,200	1,741	9
43	160	17,200	1,764	10
44	80	5,800	814	14
45	119	13,000	1,177	9
46	160	14,400	1,616	11
47	80	7,300	742	10

TABLE IX
Boone County

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
1	80	\$8,000	\$934	12
2	40	4,600	601	13
3	80	12,000	1,103	9
4	80	8,000	1,034	13
5	80	8,800	1,103	13
6	40	5,600	837	15
7	80	10,000	1,228	12
8	82	9,080	1,076	12
9	80	7,600	1,113	15
10	40	3,000	409	14
11	120	15,600	1,693	11
12	80	6,400	977	15
13	40	5,100	591	12
14	80	9,000	1,036	12
15	20	2,750	516	19
16	80	8,000	1,090	12
17	40	3,300	542	16
18	80	7,000	981	14
19	40	7,500	583	8
20	80	10,480	1,104	10
21	80	11,280	1,060	9
22	80	9,000	1,118	12
23	160	20,400	2,346	11.5
24	80	10,000	1,155	12
25	160	17,280	2,263	13
26	40	4,000	461	12
27	160	12,000	2,050	16
28	80	7,600	1,127	15
[fol. 154]				
29	80	12,000	1,145	10
30	80	11,000	1,102	13
31	320	28,000	3,458	12
32	160	14,535	1,472	10
33	80	7,200	688	10
34	80	9,000	1,128	13
35	80	8,200	1,145	13
36	160	15,280	1,983	13
37	40	3,500	730	21

TABLE X
Cerro Gordo County

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
1	160	\$8,000	\$1,889	23
2	80	7,500	954	12
3	320	20,800	3,539	17
4	160	19,680	2,324	12
5	155	10,850	1,694	15
6	120	12,000	1,563	13
7	80	4,900	785	16
8	120	12,285	1,530	12
9	160	14,000	1,909	14
10	160	16,000	2,003	13
11	80	5,600	874	16
12	76	5,800	899	15.5
13	120	8,040	1,477	18
14	83	5,000	1,091	22
15	160	17,600	1,971	11
16	80	5,600	978	17
17	160	16,000	2,033	13
18	160	10,000	1,585	16
19	80	5,500	977	18
20	160	9,600	1,544	16
21	160	10,400	1,822	18
22	160	11,200	1,792	16
23	160	12,800	2,038	16
24	160	11,500	1,810	16
25	80	3,928	713	18
[fol. 155]				
26	80	5,960	909	15
27	80	6,800	939	14
28	160	10,400	1,970	19
29	80	7,000	850	12
30	160	10,400	1,760	17
31	80	5,800	933	16
32	77	4,900	632	13
33	160	15,440	2,054	13
34	80	3,650	678	19
35	80	6,800	956	14
36	80	6,400	967	15
37	320	22,040	2,433	11
38	160	13,500	1,696	13

TABLE XI
Hancock County

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
1	80	\$6,000	\$693	12
2	80	4,400	539	12
3	120	10,200	1,031	10
4	120	8,000	1,092	13
5	400	27,000	3,092	11
6	160	12,000	1,326	11
7	80	4,200	578	14
8	160	15,105	1,240	8
9	160	10,400	1,248	12
10	160	15,200	1,318	9
11	160	10,840	1,287	12
12	80	3,900	553	14
13	80	5,600	632	11
14	80	4,000	632	16
15	200	18,200	1,560	9
16	160	16,800	1,248	7
17	160	12,800	1,326	10
18	320	22,440	2,418	11
19	320	21,440	2,516	12
20	160	15,900	1,232	8
21	160	12,700	1,248	10
[fol. 156]				
22	156	10,485	1,265	12
23	160	9,600	1,404	15
24	80	8,800	671	7
25	160	12,000	1,248	10
26	80	7,600	597	8
27	160	10,700	1,326	12
28	320	14,400	2,909	20
29	320	27,600	2,652	10
30	175	14,000	1,400	10
31	160	10,400	1,404	13.5
32	120	7,100	944	13
33	160	17,000	1,326	8
34	160	8,800	1,248	14
35	155	11,800	1,240	11
36	160	14,100	1,248	9
37	221	14,720.63	1,841	13
38	160	8,000	1,248	16
39	160	18,600	1,280	7
40	320	23,360	2,496	11
41	320	10,400	2,184	21

TABLE XI—*Continued*
Hancock County—*Continued*

No. of transfers	Acres	Sale value	Taxable value	Per cent of taxable to sale value
42	185	20,000	1,547	8
43	348	20,000	1,624	8
44	160	10,000	1,326	13
45	348	34,644.7	2,624	8
46	320	27,000	2,711	10
47	160	14,205	1,232	9
48	160	8,745	1,247	14

[fol. 157]

TABLE XII
Wayne County

1	154	\$6,600	\$1,987	30
2	79	5,100	5,100	11
3	80	6,200	645	10
4	80	6,400	839	13
5	118	8,400	748	9
6	98	7,500	635	8
7	80	6,000	903	15
8	77	4,300	465	11
9	86	6,000	748	12
10	78	4,800	335	12
11	78	8,000	1,141	14
12	79	5,160	722	14
13	158	5,600	1,509	27
14	78	4,700	595	13
15	78	5,200	922	18
16	78	6,000	818	14
17	79	5,000	655	13
18	79	4,000	468	12
19	86	3,000	388	13
20	86	3,400	511	15
21	75	5,200	968	19
22	196	16,000	1,979	12
23	200	16,100	2,393	15
24	79	6,000	721	12
25	158	4,800	1,699	35
26	159	15,600	1,798	12
27	80	5,000	510	10
28	76	3,200	744	23
29	156	12,000	1,258	10
30	86	6,400	645	10
31	78	6,000	765	13
32	118	10,000	888	9
33	79	5,600	638	11
34	37	2,900	497	17

The information given in Tables VIII to XII, inclusive, was obtained by this commission in the manner already described and gives the taxable and sale value of individual tracts of land well distributed over the different counties. The comparative statistics herein presented are self-explanatory. It appears that the taxable value [fols. 158-170] even of farm lands ranges all the way from about 7 per cent to 18 per cent and in a few rare cases, 25 per cent of the sale value and even more. In other words, farm lands according to the data received from county officials are listed from about one-fourth of their sale value to three-fourths of the same, in a few exceptional cases the listed values being more than the land would bring on the market in the ordinary course of trade. Yet, there are those who contend that no substantial lack of uniformity exists in the assessment of farm lands.

The Commission has investigated more than half the counties of the state in the manner above outlined, and has found that essentially the same conditions exist in every county. The fact is, that the assessment of farm lands is honeycombed with great inequalities in every section of the state of Iowa, which is the direct result of the present inefficient method of assessment. These inequalities have always existed and are growing greater as the years go on. The obvious and only remedy is an efficient plan of state and county supervision of local assessment.

If it is true that the assessment of ordinary farm lands, in many respects the least difficult of all forms of property to assess on an equitable basis, is characterized by great inequality as between taxpayers, what should be said of other classes of property of a more complex and intangible character? What about the assessed value of real estate on the principal streets of our leading cities where land is frequently sold at hundreds of dollars or even thousands of dollars per front foot? What may be said regarding the assessed value of the improvements thereon, and of the buildings and other property of large industrial corporations? What about the assessment of railroads and other similar public service corporations? If the present revenue system has broken down from the standpoint of administration even in the case of farm lands, could we reasonably expect any greater success when dealing with vastly more complex forms of property?

[fol. 171]

Chapter IV

The County Assessor and Tax Commission System

The necessity of providing some efficient plan of state and county supervision of local assessment including the assessment of public service corporation, is based upon the following important considerations:

Low Assessment

By making a careful comparative study of actual valuations as given in the report of the Federal Census and assessed valuations to

be found in the report of the Auditor of State, the Commission has discovered that in 1850 property was being listed for taxation at approximately its entire sale value. At the present time, it is being listed at about one-half of its sale value and assessed at one-fourth of that amount.

In this connection, it should be stated that political economists and tax administrators almost universally agree that while it is theoretically possible, it is practically impossible to secure uniformity of assessment, and, therefore, equality of taxation, except on the basis of actual value. The moment a fractional basis is introduced, tax rates will be increased in the same proportion and a different valuation will be given to each individual or class of property being listed for taxation. Indeed, the idea that all property subject to ad valorem taxation should be listed at its actual value is recognized by law in every state except Alabama, and may also be found in every revenue law that has been adopted by the General Assembly of Iowa. The fact that in forty-seven states, property is required by law to be listed at its actual value, shows that assessment at actual value is generally considered fundamentally sound and the only practicable means of securing [fol. 172] equality of taxation, and the additional fact that in this state the machinery of assessment and equalization has been absolutely unable to realize this ideal, but has departed farther and farther from it, furnishes one of the strongest arguments in support of the proposal to create the office of county assessor and, at the same time, establish a permanent state tax commission.

Inequalities of Assessment

Low assessment or under-valuation of property, however, is not the most important defect in the working of the present revenue system in this state. As already stated, it is theoretically possible to secure equality of taxation on the basis of fractional assessment. For example, if all property were listed at one-tenth of its value, the only effect would be to multiply tax rates in the same proportion, granting that the same amount of money was raised for the support of schools, the building of roads and bridges and other legitimate functions of government.

Uniformity, however, has been the exception and inequality the rule, wherever under assessment has prevailed. In this state, a study of assessed and actual values on the basis of the sale method shows that inequalities exist, even in the listing of farm lands. An investigation of more than sixty counties shows that some farms are now being listed for taxation at double, and even three times, the amount of other farms in the same county, although having in fact substantially the same value. In other words, some of the farmers of Iowa are bearing from two to three times their just burden of state and local taxation in comparison with their immediate neighbors. When we come to town lots, and large corporate property, if it is especially of an intangible character, the inequalities are vastly greater, a fact which has been almost universally proved by other tax commissions throughout the United States.

The present Special Tax Commission has not been clothed with the necessary powers, nor has it had sufficient time, to make a complete valuation of the different forms of corporate property. We refer not only to the property of railroads, telephone and telegraph companies, or the so-called public service corporations, but also to industrial corporations and large property holdings in general, whether individual or corporate.

[fol. 173] In this connection, it should be stated that until a complete inventory of the property of public service corporations has been made, and until a more comprehensive investigation of the actual value of rural and city property has likewise been carried on, by county assessors under the supervision of a tax commission or some like authority, any statement as to whether this class of property or that class of property is bearing more or less of its share of the public burden will be mere guess-work. At the present time, no reliable data exists which makes it possible to make any reasonably accurate comparison of the relative burden of taxation now being borne by farm lands, town lots and the property of such corporations.

In 1911, the Executive Council increased the aggregate assessment of farm lands all the way from $7\frac{1}{2}$ to $22\frac{1}{2}$ per cent in the various counties of the state. In fact, the assessed value of farm lands was increased on an average of about $12\frac{1}{2}$ per cent. This was done on the theory that farm lands were being assessed relatively lower than other property.

In this connection, the Commission desires to make only one additional suggestion. We refer to the broad assumption in many quarters that farm lands are being assessed relatively lower than some other classes of property. In fact, an effort has been made, largely for political ends, to draw a line of cleavage between the city and the country. Statistics have been collected for the purpose of showing that town lots are being listed higher than rural property. It should be stated that the only trouble with practically every investigation of this kind is the incompleteness of the same. Every one knows that it is possible to go to the court house records of Polk County or any other county of Iowa and prove that property in the city is being listed at 75 per cent or even 100 per cent of its value. It might also be proved that property is being listed at less than 50 per cent of its value. It all depends upon the property that is being compared.

When all the facts are considered, there should be no point of cleavage between the property owners in the country and in the cities. The sooner the people of Iowa get these matters clear in their minds, the more rapid will be the progress in scientific tax reform legislation. The inequalities in the present revenue system are not confined to any community within the state or to any kind or class [fol. 174] of property. The injustice extends to the small holder of property as well as to the large holder and is a matter of such common knowledge that many taxpayers, who are otherwise honest, perjure themselves annually in the matter of listing their property for the reason that they know full well that many other property owners

are doing likewise. In a word, the present law in its operation tends to debase the public conscience.

Present ex Officio Administration

The low valuation on the one hand and inequality of assessment on the other, already outlined, are the logical results of our present machinery of assessment and equalization, which is almost entirely ex officio in its personnel and, therefore, wholly inefficient in its practical workings. Each local taxing district is a law unto itself. The County Board of Review meets only a short time in June, and the State Board of Review only a few days in July. In fact, important duties are performed in a perfunctory manner which ought to require intelligent and conscientious labor throughout the entire year.

Until the office of county assessor is created there will be no one whose business it is to see that assessments are uniform throughout the county as between individuals, on the one hand, and local subdivisions of government on the other. In like manner, until a permanent tax commission is created, there will be no state board giving sufficient time to the important task of equalizing values between counties, and at the same time listing the property of public service corporations. Reduced to its lowest terms, the chief defect of the present system is faulty administration, which in turn is due, as already suggested, to the planless and ex officio character of our present system of assessment and equalization. There should be a central supervising officer in each county and a central state board giving their full time to this absolutely necessary function of government.

Public Service Corporations

As already stated, one of the important duties of a permanent tax commission is to make a thorough and complete valuation of the property of public service corporations. Until this is done, we will have no way of determining whether farm property or, in fact, any [fol. 175-267] other class of property, is bearing more or less than its just share of the public burden. Practically all statements made along this line in the past are not based on any authoritative information. Under existing conditions, the Executive Council simply does not have the necessary time to make a careful and systematic valuation of this class of property, such as would be made by a permanent state tax board giving a very substantial part of its time to this one problem.

The property of railroads, telephone, telegraph and express companies is so vast in extent and so complex in its character that any hasty valuation made by an ex officio board on the basis of reports submitted by the companies must necessarily be very imperfect and unsatisfactory. Property which amounts to hundreds of millions of dollars should not be listed for taxation in a mere perfunctory manner, such as must be the case in any state where ex officio boards are required by law to do this work. This Commission believes that

the magnitude of this task alone is sufficient to warrant the employment of a permanent state tax board. Until this is done any comparison of the relative burden of taxation as between farm lands and railroad property will be largely guess work. Under such a system, public service corporations may be required to pay more or less than their just share of taxation, depending often times upon political influences. The problem, however, of uniform and equitable taxation should never depend upon politics, but upon the honest and efficient administration of law.

* * * * *

[fols. 268 & 269] EVIDENCE: EXHIBIT 2

Fourteenth Census of the United States: 1920

Department of Commerce, Bureau of the Census

Bulletin

Agriculture: Iowa

Statistics for the State and Its Counties

Prepared under the Supervision of William Lane Austin, Chief
Statistician for Agriculture

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Introduction

This bulletin presents a statement of the statistics of agriculture for Iowa collected at the census of 1920. The statistics of farms and farm property, including live stock, relate to January 1, 1920; those of live-stock products, crops, and farm expenditures are for the calendar year 1919. In order to show the present tendency in agriculture, comparative figures for the census of 1910 are given throughout the bulletin; and to show the general trend of the agricultural industry over a considerable period of time, all general farm information available is presented for the different censuses since 1850.

TABLE 1—Summary: 1920 and 1910

Item	1920 (January 1)	1910 (April 15)	Increase ¹	
			Amount	Per cent
Number of all farms.....	213,439	217,044	—3,605	—1.7
Approximate land area of the state.....	35,575,040	35,575,040	.....	.....
All land in farms..... acres..	33,474,896	33,930,688	—455,792	—1.3
Improved land in farms..... acres..	28,606,951	29,491,199	—884,248	—3.0
Woodland in farms..... acres..	2,295,274	2,314,115	—18,841	—0.8
Other unimproved land in farms..... acres..	2,572,671	2,125,374	447,297	21.0
Per cent of land area in farms.....	94.1	95.4	.....	.....
Per cent of farm land improved.....	85.5	86.9	.....	.....
Average acreage per farm.....	156.8	156.3	0.5	0.3
Average improved acreage per farm.....	134.0	135.9	—1.9	—1.4
Value of all farm property.....	\$8,525,270,956	\$3,745,860,544	\$4,779,410,412	127.6
Land.....	6,679,020,577	2,801,973,729	3,877,046,848	138.4
Buildings.....	922,751,713	455,405,671	467,346,042	102.6
Implement and machinery.....	309,172,398	95,477,948	213,694,450	223.8
Live stock.....	614,326,268	393,003,196	221,323,072	56.3
Average value per farm:				
All farm property.....	39,942	17,259	22,683	131.4
Land.....	31,292	12,910	18,382	142.4
Buildings.....	4,323	2,098	2,225	106.1
Implement and machinery.....	1,449	440	1,009	229.3
Live stock.....	2,878	1,811	1,067	58.9

¹ A minus sign (—) denotes decrease.

To assist in securing comparability for its statistics of agriculture, the Bureau of the Census provided the enumerators with certain definitions and instructions, the more important of which were essentially as given below.

Farm.—A "farm" for census purposes is all the land which is directly farmed by one person managing and conducting agricultural operations, either by his own labor alone or with the assistance of members of his household or hired employees. The term "agricultural operations" is used as a general term, referring to the work of growing crops, producing other agricultural products, and raising domestic animals, poultry, and bees. A "farm" as thus defined may consist of a single tract of land or of a number of separate and distinct tracts, and these several tracts may be held under different tenures, as where one tract is owned by the farmer and another tract is hired by him. When a landowner has one or more tenants, renters, croppers, or managers, the land operated by each is considered a "farm."

In applying the foregoing definition of a "farm" for census purposes, enumerators were instructed to report as a "farm" any tract of 3 or more acres used for agricultural purposes, and also any tract containing less than 3 acres which produced at least \$250 worth of farm products in the year 1919, or required for its agricultural operations the continuous services of at least one person.

Farmer.—A "farmer" or "farm operator," according to the census definition, is a person who directs the operation of a farm. Hence owners of farms who do not themselves direct the farm operations are not reported as "farmers." Farmers are divided by the Bureau of the Census into three general classes according to the character of their tenure, namely, owners, managers, and tenants.

Farm owners include (1) farmers operating their own land only and (2) those operating both their own land and some land hired from others. The latter are sometimes referred to in the census reports as "part owners," the term "full owners" being then used for those owning all their land.

Managers are farmers who are conducting farm operations for the owner for wages or a salary.

Farm tenants are farmers who, as tenants, renters, or croppers, operate hired land only. They were reported in 1920 in five classes: (1) Share tenants—those who pay a certain share of the products, as one-half, one-third, or one-quarter, for the use of the farm but furnish their own farm equipment and animals; (2) croppers—share tenants who do not furnish their work animals; (3) share-cash tenants—those who pay a share of the products for part of the land rented by them and cash for part; (4) cash tenants—those who pay a cash rental, as \$7 per acre of crop land or \$500 for the use of the whole farm; (5) standing renters—those who pay a stated amount of farm products for the use of the farm, as 3 bales of cotton or 500 bushels of corn. In some cases the character of the

tenancy was not ascertained by the enumerator; such tenants are designated "unspecified."

Farm Land.—Farm land is divided into (1) improved land, (2) woodland, and (3) other unimproved land.

Improved land includes all land regularly tilled or mowed, land in pasture which has been cleared or tilled, land lying fallow, land in gardens, orchards, vineyards, and nurseries, and land occupied by farm buildings.

Woodland includes all land covered with natural or planted forest trees which produce, or later may produce, firewood or other forest products.

All other unimproved land includes brush land, rough or stony land, swamp land, and any other land which is not improved or in forest.

The census classification of farm land as "improved land," "woodland," and "other unimproved land" is one not always easy for the farmers or enumerators to make, and the statistics, therefore, must be considered at best only a close approximation.

Number of Farms, Acreage, and Value
TABLE 2.—*Number of Farms and Farm Acreage: 1850 to 1920*

Census year	Farms			Land in farms				Per cent of land area in farms	Per cent of farm land improved
	Number	Per cent of increase ¹	All land		Improved land				
			Acres	Per cent of increase ¹	Acres	Per cent of increase ¹			
1920.....	213,439	—1.7	33,474,896	—1.3	28,606,951	—3.0	94.1	87.5	
1910.....	217,044	—5.1	33,930,688	—1.9	29,491,199	—1.4	95.4	86.9	
1900.....	228,622	13.2	34,574,337	13.4	29,897,552	17.6	97.2	86.5	
1890.....	201,903	8.9	30,491,541	23.2	27,428,899	28.0	85.7	83.4	
1880.....	185,351	59.4	24,752,700	59.9	19,866,541	111.4	69.6	80.3	
1870.....	116,292	90.1	15,541,792	54.3	9,396,467	147.7	43.7	60.5	
1860.....	61,163	313.1	10,669,907	268.0	3,792,792	359.9	28.3	37.7	
1850.....	14,805	.....	2,736,064	.....	824,682	.....	7.7	30.1

¹ A minus sign (—) denotes decrease.

TABLE 3.—*Value of Farm Property: 1850 to 1920*

Census year	All farm property			Land and buildings			Implements and machinery			Live stock		
	Value	Per cent of increase	Value	Value	Per cent of increase	Value	Value	Per cent of increase	Value	Value	Per cent of increase	Value
1920.....	\$8,525,270,956	127.6	\$7,601,772,290	133.4	8,309,172,398	223.8	\$614,326,268	56.3				
1910.....	3,745,860,544	104.2	3,257,379,400	117.5	95,477,948	64.7	393,003,196	40.9				
1900.....	1,834,345,546	66.7	1,497,554,790	74.6	57,960,660	58.1	278,830,096	35.1				
1890.....	1,100,682,579	52.6	857,581,022	51.1	36,665,315	24.8	206,436,242	65.5				
1880.....	721,517,214	81.8	567,430,227	80.6	29,371,884	79.0	124,715,103	87.9				
1870.....	396,927,325	168.7	314,129,953	162.0	16,407,666	208.0	66,389,706	195.4				
1860.....	147,702,873	586.4	119,899,547	619.8	5,327,033	354.2	22,476,293	509.2				
1850.....	21,519,711	.....	16,657,567	.....	1,172,869	.....	3,689,275	.....			

*Computed gold values, being 80 per cent of the currency values reported.

TABLE 4—*Average Acreage and Average Value per Farm: 1850 to 1920*
 [Averages Are Based on "All Farms" in the State]

Census year	Average acreage per farm		Average value per farm			
	All land	Improved land	All farm property	Land and buildings	Implements and machinery	Live stock
1920,	156.8	134.0	\$39,942	\$35,616	\$1,419	\$2,878
1910,	156.3	135.9	17,259	15,008	440	1,811
1900,	151.2	130.8	8,023	6,550	253	1,220
1890,	151.0	125.9	5,452	4,247	182	1,022
1880,	133.5	107.2	3,893	3,061	158	673
1870 ¹ ,	133.6	80.8	3,413	2,701	141	571
1860,	164.6	62.0	2,415	1,960	87	367
1850,	184.8	55.7	1,454	1,125	79	249

¹ Computed gold values, being 80 per cent of the currency values reported.

TABLE 5—Average Value per Acre, 1850 to 1920

[Averages Are Based on "All Land in Farms" in the State]

Census year	All farm property	Land and buildings	Land alone	Buildings alone	Implements and machinery	Live stock
1920,	\$254.68	\$227.09	\$199.52	\$27.57	\$9.24	\$18.35
1910,	110.40	96.00	82.53	13.42	2.81	11.58
1900,	53.06	43.31	36.35	6.96	1.68	8.06
1890,	36.10	28.13	.....	.....	1.20	6.77
1880,	29.15	22.92	.....	.....	1.19	5.04
1870 ¹ ,	25.54	20.24	.....	.....	1.06	4.27
1860,	14.67	11.91	.....	.....	0.53	2.23
1850,	7.87	6.09	.....	.....	0.43	1.35

¹ Computed gold values, being 80 per cent of the currency values reported.

[fols. 279-311]

All Farms

	The State
1. Number of farms, 1920.....	213,439
2. 1910.....	217,044
3. 1900.....	228,622
All farmers classified by sex, 1920:	
4. Male.....number..	209,232
5. Female.....number..	4,207
Color and nativity of all farmers, 1920:	
6. Native white.....number..	181,109
7. Foreign-born white.....number..	32,221
8. Negro and other nonwhite.....number..	109
All farms classified by size, 1920:	
9. Under 3 acres.....number..	477
10. 3 to 9 acres.....number..	5,745
11. 10 to 19 acres.....number..	5,299
12. 20 to 49 acres.....number..	13,117
13. 50 to 99 acres.....number..	35,959
14. 100 to 174 acres.....number..	85,549
15. 175 to 259 acres.....number..	41,414
16. 260 to 499 acres.....number..	23,865
17. 500 to 999 acres.....number..	1,877
18. 1,000 acres and over.....number..	137

Land and Farm Area

19. Approximate land area, 1920.....acres..	35,575,046
20. Land in farms, 1920.....acres..	33,474,896
21. 1910.....acres..	33,930,688
22. 1900.....acres..	34,574,337
23. Improved land in farms, 1920.....acres..	28,606,951
24. 1910.....acres..	29,491,199
25. 1900.....acres..	29,897,552
26. Woodland in farms, 1920.....acres..	2,295,274
27. Other unimproved land in farms, 1920.....acres..	2,572,671
28. Per cent of land area in farms, 1920.....	94.1
29. Per cent of farm land improved, 1920.....	85.5
30. Average acreage per farm, 1920.....	156.8
31. Average improved acreage per farm, 1920....	134.0

Value of Farm Property

32.	All farm property..	1920.....	dollars..	8,525,270,956
33.		1910.....	dollars..	3,745,860,544
34.		1900.....	dollars..	1,834,345,546
35.	Land in farms..	1920.....	dollars..	6,679,020,577
36.		1910.....	dollars..	2,801,973,729
37.		1900.....	dollars..	1,256,751,980
38.	Farm buildings..	1920.....	dollars..	922,751,713
39.		1910.....	dollars..	455,405,671
40.		1900.....	dollars..	240,802,810
41.	Implem'ts and machin'y..	1920.....	dollars..	309,172,398
42.		1910.....	dollars..	95,477,948
43.		1900.....	dollars..	57,960,660
44.	Live stock on farms..	1920.....	dollars..	614,326,268
45.		1910.....	dollars..	393,003,196
46.		1900.....	dollars..	278,830,096
Average values, 1920:				
47.	All property per farm.....		dollars..	39,942
48.	Land and buildings per farm....		dollars..	35,616
49.	Land alone per acre.....		dollars..	199.52

Farms Operated by Owners

50.	Number of farms..	1920.....		121,888
51.		1910.....		133,003
52.		1900.....		147,305
53.	Per cent of all farms, 1920.....			57.1
54.	Land in farms, 1920.....		acres..	18,051,121
55.	Improved land in farms, 1920....		acres..	15,319,624
56.	Value of land and buildings, 1920...		dollars..	4,011,441,160
Degree of ownership, 1920:				
57.	Farmers owning entire farm....		number..	99,008
58.	Farmers hiring additional land..		number..	22,880
Color and nativity of owners, 1920:				
59.	Native white owners.....		number..	100,741
60.	Foreign-born white owners....		number..	21,073
61.	Negro and other nonwhite owners,		number..	74

Farms Operated by Managers

62.	Number of farms..	1920.....		2,487
63.		1910.....		1,926
64.		1900.....		1,581
65.	Land in farms, 1920.....		acres..	569,086
66.	Improved land in farms, 1920....		acres..	445,897
67.	Value of land and buildings, 1920...		dollars..	125,900,751

Farms Operated by Tenants

68.	Number of farms, 1920.....	89,064
69.	1910.....	82,115
70.	1900.....	79,736
71.	Per cent of all farms, 1920.....	41.7
72.	Land in farms, 1920.....acres..	14,854,689
73.	Improved land in farms, 1920.....acres..	12,841,430
74.	Value of land and buildings, 1920...dollars..	3,464,430,379
Form of tenancy, 1920:		
75.	Share tenants .....number..	25,606
76.	Share-cash tenants .....number..	16,401
77.	Cash tenants .....number..	44,586
78.	Unspecified .....number..	2,471
Color and nativity of tenants, 1920:		
79.	Native white tenants.....number..	78,090
80.	Foreign-born white tenants.....number..	10,940
81.	Negro and other nonwhite tenants, number..	34

[fol. 312]

EVIDENCE. EXHIBIT 3

United States Department of Agriculture

*Bulletin No. 874*Contribution from the Office of Farm Management and Farm
Economics

H. C. Taylor, Chief

In Cooperation with the Iowa Agricultural Experiment Station

C. F. Curtiss, Director

Washington, D. C. Professional Paper August 23, 1920.

Farm Land Values in Iowa

By

L. C. Gray,

Agricultural Economist in Charge of Land Economics, Office of
Farm Management and Farm Economics,

and

O. G. Lloyd,

Assistant Chief in Farm Management Iowa Agricultural Experiment
Station

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Washington
Government Printing Office
1920

(Here follows reproduction of side folio page 313.)

[fol. 314] been ampler it would have been desirable to extend this study in other parts of the country. However, it seemed necessary to limit the area of investigation to a region sufficiently small to permit a reasonably intensive study. Since the activity in land transfers seemed to be central in the State of Iowa, the investigation was confined to a territory comprising about 60 counties in that State. (See fig. 1.)

Details concerning actual sales were obtained in 60 counties. It was at first planned to obtain initial data from the county records, but it was necessary to revise this plan because it was found that a large number of the sales made during the recent period of activity were not

(Here follows map marked side folio page 314.)

recorded. Consequently it was necessary to obtain data from real estate men, bankers, lawyers, and retired farmers who had participated in the drawing up of sales contracts.

The investigators obtained certain general information concerning the subjects of investigation by inquiry from well-informed persons in each county visited. Data on net rents paid for farms for the year 1918 were obtained in 49 of the counties visited.

The Iowa Experiment Station contributed to the investigation data on farm earnings and the distribution of farm earnings, obtained from regular farm management surveys of 965 farms in adjacent townships of Blackhawk, Tama, and Grundy Counties for the year 1913, and of 832 farms, located in Warren County, for the year 1915. [fol. 315] To obtain comparative data concerning farm earnings for the year 1918 a farm management survey was made covering about 400 farms in the same areas. A large number of these farms were the same for which data had been obtained in previous surveys.¹

Trend of Land Values in the Country as a Whole

Before beginning the study of farm land values in Iowa it is desirable to determine the extent of the area in the United States characterized by a marked advance in farm land values such as has occurred in that State.

In Table I, which comprises unpublished data supplied by the Bureau of Crop Estimates, are shown the estimated average values per

¹ Acknowledgment is due the farmers and other business men who made this study possible and to the members of the staff of Iowa State College and of the Office of Farm Management, U. S. Department of Agriculture, who aided in the gathering and tabulation of the data used.

Survey data for 1913 and 1915 were collected by H. B. Munger, J. Whitson, Wm. Brand, Russell Engberg, Fred C. Fenton, R. J. Leth, E. H. Lott, W. T. Maaksted, M. B. Posten, Geo. N. Reed, Harold W. Reid, Louis Sawyer, Allan M. Smith, and L. B. Snyder, of the Farm Management Department, Ames, Iowa. Prof. H. B. Munger supervised the collection and tabulation of the results.

The data for 1918 and 1919 were collected by Earl D. Strait, C. O. Brannen, H. H. Clark, J. S. Donald, R. D. Jennings, Bruce McKinley, J. C. Rundles, C. F. Sarle, F. H. Shelledy, and C. C. Taylor, of the Office of Farm Management, United States Department of Agriculture. Messrs. Howard A. Turner and J. C. Rundles supervised the tabulation of the results.

UNITED STATES DEPARTMENT OF AGRICULTURE

BULLETIN No. 874Contribution from the Office of Farm Management and
Farm Economics

H. C. TAYLOR, Chief

In Cooperation with the Iowa Agricultural Experiment Station

C. F. CURTISS, Director



Washington, D. C.

PROFESSIONAL PAPER

August 23, 1920

FARM LAND VALUES IN IOWA.

By L. C. GRAY, *Agricultural Economist in Charge of Land Economics, Office of Farm Management, and Farm Economics*, and O. G. LLOYD, *Assistant Chief in Farm Management, Iowa Agricultural Experiment Station.*

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PURPOSE, SCOPE, AND METHOD OF INVESTIGATION.

The investigation upon which this bulletin is based was undertaken to determine the extent of increase in prices of Iowa farm lands, with special reference to the year 1919, the causes of the unusual activity in the buying and selling of lands in that year, and the probable effects of this activity upon the farming industry in the State of Iowa.

It was considered of special importance to ascertain what changes have occurred in the relationship between farm land values, farm earnings, and the shares received by landlords and by tenants, and to determine the probable effect of these changes on the opportunity of farmers to acquire the land they cultivate. It was also believed that the investigation would be of some value as a study of the phenomena of land speculation, an important topic in the general subject of land economics.

Unusual activity in land transfers and rapid increases in the prices of farm land have occurred over wide areas throughout the United States during the past year. If the resources for investigation had

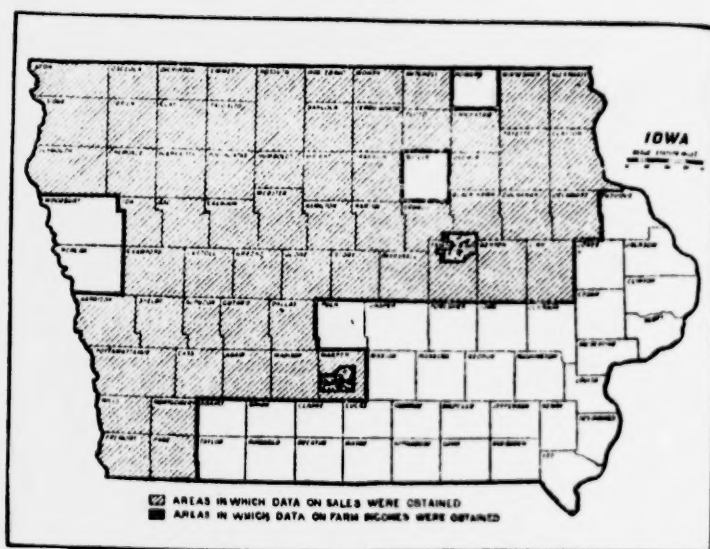


FIG. 1.—Map of Iowa showing region in which this investigation was conducted.

acre of farm land and improvements for all the States, together with the estimated increase per acre and per cent of increase from March 1, 1919, to March 1, 1920.

TABLE I.—*Average value of farm land and improvements, by States, 1915, 1919, 1920, and increase per acre and per cent of increase, 1919 to 1920. (Estimates obtained by the Bureau of Crop Estimates.)*

State	Average value per acre			Increase 1919 to 1920	
	1915	1919	1920	Per acre	Per cent
Maine	\$36.00	\$47.00	\$52.00	\$5.00	10.6
N. Hampshire	37.00	45.00	52.00	7.00	15.5
Vermont	39.00	47.00	53.00	6.00	12.7
Massachusetts	72.00	80.00	100.00	20.00	25.0
Rhode Island	95.00	90.00	95.00	5.00	5.5
Connecticut	63.00	67.00	85.00	18.00	26.8
New York	65.00	75.00	88.00	13.00	17.3
New Jersey	90.00	113.00	125.00	12.00	10.6
Pennsylvania	64.00	79.00	92.00	13.00	16.4
Delaware	63.00	78.00	94.00	16.00	20.5
Maryland	56.00	69.00	91.00	22.00	31.8
Virginia	34.00	60.00	68.00	8.00	13.3
W. Virginia	34.00	51.00	58.00	7.00	13.7
N. Carolina	33.00	47.00	75.00	28.00	59.5
S. Carolina	30.00	53.00	75.00	22.00	41.5
Georgia	24.00	45.20	57.00	11.80	26.1
Florida	40.00	60.00	72.00	12.00	20.0
Ohio	86.00	109.00	130.00	21.00	19.2
Indiana	90.00	120.00	145.00	25.00	20.8
Illinois	125.00	164.00	204.00	40.00	24.3
Michigan	61.00	80.00	87.00	7.00	8.7
Wisconsin	80.00	109.00	130.00	21.00	19.2
Minnesota	65.00	94.00	124.00	30.00	31.9
Iowa	134.00	192.00	255.00	63.00	32.8
Missouri	58.00	82.00	104.00	22.00	26.8
N. Dakota	34.00	43.00	50.00	7.00	16.2
S. Dakota	58.00	80.00	110.00	30.00	37.5
Nebraska	71.00	105.00	135.00	30.00	28.5
Kansas	53.00	69.00	80.00	11.00	15.9
Kentucky	38.00	81.00	85.00	4.00	4.9
Tennessee	38.00	65.00	77.00	12.00	18.4
Alabama	20.00	29.00	38.00	9.00	31.0
Mississippi	20.00	32.00	45.00	13.00	40.6
Louisiana	30.00	43.00	65.00	22.00	51.1
Texas	40.00	55.00	69.00	14.00	25.4
Oklahoma	29.00	43.50	55.00	11.50	26.4
Arkansas	23.00	42.00	55.00	13.00	30.9
Montana	35.00	39.00	42.00	3.00	7.6
Wyoming	35.00	50.00	60.00	10.00	20.0
Colorado	55.00	66.00	75.00	9.00	13.6

TABLE I—*Continued*

State	Average value per acre			Increase 1919 to 1920	
	1915	1919	1920	Per acre	Per cen
New Mexico	52.00	62.00	62.00	0.00	0
Arizona	107.00	130.00	185.00	55.00	42.3
Utah	85.00	130.00	150.00	20.00	15.3
Nevada	85.00	90.00	90.00	0.00	0
Idaho	66.00	97.00	125.00	28.00	28.8
Washington	99.00	115.00	150.00	35.00	30.4
Oregon	75.00	95.00	120.00	25.00	26.3
California	175.00	218.00	190.00	28.00	....
United States	59.91	81.89	99.24	17.35	21.1

[fol. 316] It is clear that the advance of land values in Iowa is only part of a general rapid upward trend of land values, the average increase for all the States amounting to \$17.35 per acre, or 21.1 per cent. In only one State, California, have land values declined during the year. Even in New England the value of farm lands increased over \$10 an acre, or 16.2 per cent, the increase being most marked in Massachusetts and Connecticut. In the other Atlantic States the increase in value per acre was most notable in the Carolinas, reflecting the influence of high prices for cotton, "bright" tobacco, and peanuts. The increases for Virginia and West Virginia were comparatively small. The increases in values in the other Atlantic States are between the two extremes. The largest average increase per acre in the United States, but not the largest percentage of increase, occurred in Iowa, followed by Arizona and Illinois. Throughout the States lying largely in the Corn Belt there were increases per acre ranging from \$21 in Ohio to \$63 in Iowa, with the exception of Kansas, where the increase was only \$11.

In States characterized by a fair degree of uniformity in agricultural resources, as in many of the States in the Corn Belt, averages for the State as a whole are frequently not indicative of the movement of values in certain sections. Thus, the increase for Kentucky averages only \$4 an acre, yet in the Blue Grass Region there has been a very marked increase in farm land values and extraordinary activity in the buying and selling of land. There has been a considerable increase in the value of farm lands in Michigan, but the average for the State is low because of the influence of the large areas of cut-over lands in parts of the State. In the South the percentages of increase are large, although they do not represent large increases per acre.

Increase in the Average Value Per Acre of Iowa Farm Land Since
1850

TABLE II—*Increase in the Average Value of Improved Farm Land
in Iowa from 1850 to March 1, 1920*

Year.	Value per acre	Increase per acre
1850	\$6.09	.....
1860	11.91	\$5.82
1870	20.21	8.30
1880	22.92	2.71
1890	28.13	5.21
1900	43.31	15.18
1910	96.00	52.69
1915	134.00	38.00
1916	153.00	19.00
1917	156.00	3.00
1918	174.00	18.00
1919	192.00	18.00
1920	255.00	63.00

The statistics for the years 1850 to 1910, inclusive, are from the Federal census. The statistics for 1915 to 1920, inclusive, are from unpublished data furnished by the Bureau of Crop Estimates, United States Department of Agriculture.

[fols. 317-357] During the last decade the percentage increase, as well as the dollars per acre increase, was larger than that for any other decade in the history of the State. During the past year the increase in dollars per acre was greater than during the 50-year period from 1850 to 1900. From 1915 to 1920, the smallest increase in the price of land was in the year before the United States entered the World War, and the largest increase was the year following the signing of the armistice.

* * * * *

[fol. 358]

(Copy)

EVIDENCE: EXHIBIT 4

STATE OF IOWA,
Polk County, ss:

I, A. H. Davison, depose and say that from 1899 to 1917 I was secretary of the Executive Council of the State of Iowa, and as such secretary am familiar with the proceedings of the Executive Council during that period. That, for sometime prior to 1913, the Council desired to secure information as to the actual value of the property of the state as compared to the assessed value for taxation; that pursuant to such desire on the part of the Executive Council the 35th General Assembly passed an Act, known as Chapter 13, making an appropriation to cover the expense of gathering, copying and tabulating sales and assessments of value of real estate to be used in assessment and adjustment proceedings; that pursuant to this authority

the Executive Council directed that the Secretary of the Council procure through the recorders of the several counties of the state lists of all the lands transferred in said counties during the calendar year of 1912, with sale values and that the same be referred to the County Auditors of the several counties with direction to enter opposite each transfer the assessment value placed upon the same tracts in the spring of 1913.

That, in pursuance of this order I, as secretary of the Executive Council, did call upon the several Recorders of the state for lists of all the bona fide transfers, with instructions to omit such as appeared from any reason to be other than bona fide transfers or sales in the ordinary course of business, and those lists we first check up, satisfying ourselves that none but bona fide transfers were in the lists forwarded, sending the list to the several county Auditors with instructions to enter opposite each item the assessment placed by the assessors of all the townships of the counties, and also to show upon said list any charges made by the local Boards of Review. Those sale values and assessment values as corrected are represented as shown in Exhibit "A" in the columns marked "Actual value of lands reported transferred 1912", and "actual value placed on same tracts by assessors 1913." This Exhibit "A" also contains data obtained from the official records of the state as recorded in the office of the Auditor of State for the years 1902, 1903, 1908, 1909, said compilation being made for the purpose of exhibiting to the Executive Council that the ratio of assessments to actual value was continually diminishing from year to year, the same having been in 1903—80%, in 1909—55%, and for the year 1913—46% minus. That said Exhibit "A" was and is a part of the records of the Executive Council.

That under date of March 10, 1919, as shown by the records of the Executive Council, Book No. 12, Page 141, the following resolution was adopted:

"In view of the approaching session of the Executive Council of the State Board of Review, Assessment and Equalization and the duties imposed upon such Board by law with reference to the equalization of taxes on real and personal property and the fixing of assessment upon railroads and other public utilities, it was found desirable upon consideration that all of the information with reference to valuation of property possible to obtain for the use of the Executive Council be made available at the date set for such Board of Review meeting and the Council accordingly entered an order that an appropriation be made in the amount of \$500.00 under the provisions of 170-L of the Code for the employment of extra help in [fol. 360] the office of the Secretary of the Council for obtaining such information and directed that the Secretary of the Council prepare forms to send out to the county recorders for obtaining information as to the transfer of land and other property in the respective counties and the price involved in such transactions and for obtaining from bankers, legislators real estate men and other persons resident in such counties who have reason to know of valuations of property the information which the Council desired. The secretary was also author-

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ized to take the proper steps for the compilation of such information and its classification in the proper form for the use of the Council as a Board of Review and Equalization and also to employ such help as is necessary under the appropriation made for carrying out the direction of the Executive Council".

That I have examined the files of the Executive Council in the office of the Secretary of said Council, showing the result of the investigation made pursuant to said resolution, and attach hereto, marked Exhibit "B," the compilation of the volume of the acreage price at which such acreage was sold or transferred, and the average price of such sales in each county for which the figures appear to have been secured. That said compilation, of which Exhibit "B" is a copy, is taken from the papers and records on file in the office of the secretary of the Executive Council. That it appears from such compilation that the total of the transfers by acreage were 1,092,834.48 acres; that the value of the acreage as transferred is shown to be \$179,322,740.77, being an average sale price as shown by said Exhibit of \$164.09. That the average values for assessment purposes throughout the state were, during the corresponding year, \$75.64, as shown by the compilation and records in the office of the Auditor of State. The records in the office of the Auditor of State also show that the assessed value of lands throughout the state for the year 1920 as adjusted average \$76.84. That attached to this affidavit, marked Exhibit "C" are the adjusted values of land for the year 1919, being the year to which [fol. 361] the valuations shown on Exhibit "B" apply.

(Sgd.) A. H. Davison.

Subscribed and sworn to by A. H. Davison this 10th day of September, 1921. (Sgd.) J. R. Patterson, Notary Public in and for Polk County. (Seal.)

(Here follows Exhibit A to Davison's Affidavit, marked side folio page 362.)

[fol. 363] EXHIBIT "B" TO DAVISON'S AFFIDAVIT

County	Acreage	Price	Average per acre
Adair	14,244.22	\$1,977,003.07	\$138.80
Adams	24,573.53	2,972,086.96	120.95
Allamakee	3,818.11	300,855.60	78.78
Appanoose	5,337.00	468,579.00	87.80
Audubon	37,540.41	7,114,918.34	189.53
Benton .....	.....	.....	.....
Black Hawk .....	.....	.....	.....
Boone .....	.....	.....	.....
Bremer .....	.....	.....	.....
Buchanan .....	.....	.....	.....
Buena Vista	17,685.33	3,167,064.38	179.08

EXHIBIT "B" TO DAVIDSON'S AFFIDAVIT—*Continued*

County	Acreage	Price	Average per acre
Butler	20,478.49	3,105,088.34	151.63
Calhoun .....	.....	.....	.....
Carroll	15,001.15	3,414,292.27	227.60
Cass	8,094.59	1,396,693.50	172.55
Cedar	28,010.92	4,878,462.99	174.16
Cerro Gordo	22,031.00	3,442,523.00	155.75
Cherokee .....	.....	.....	.....
Chickasaw .....	.....	.....	.....
Clarke	36,492.25	4,286,239.25	117.45
Clay	13,386.49	2,371,304.90	177.15
Clayton .....	.....	.....	.....
Clinton	16,865.00	2,999,303.00	177.84
Crawford	3,789.69	709,684.00	187.27
Dallas .....	.....	.....	.....
Davis .....	.....	.....	.....
Decatur .....	.....	.....	.....
Delaware	13,743.00	1,901,407.83	138.35
Des Moines	7,879.94	1,283,705.70	162.90
[fol. 364]	.....	.....	.....
Dickinson .....	.....	.....	.....
Dubuque	12,354.27	1,400,312.00	113.35
Emmet .....	.....	.....	.....
Fayette .....	.....	.....	.....
Floyd .....	.....	.....	.....
Franklin	2,136.00	305,440.00	143.00
Fremont .....	.....	.....	.....
Greene .....	.....	.....	.....
Grundv	16,602.21	3,540,562.72	213.25
Guthrie	51,885.85	8,299,079.10	159.91
Hamilton .....	.....	.....	.....
Hancock .....	.....	.....	.....
Hardin	18,235.00	3,531,894.00	193.68
Harrison	19,137.48	3,000,091.00	156.76
Henry	31,466.45	5,059,464.22	160.75
Howard	3,597	473,067.50	134.32
Humboldt	27,983.55	2,827,904.63	101.05
Ida .....	.....	.....	.....
Iowa .....	.....	.....	.....
Jackson	20,911.25	2,204,877.40	105.44
Jasper	13,788.03	2,797,729.50	202.91
Jefferson	17,966.00	1,951,871.49	108.65
Johnson	7,977.11	1,452,435.97	182.07
Jones .....	.....	.....	.....
Keokuk	39,313.42	6,040,143.80	153.65
Kossuth .....	.....	.....	.....
Lee .....	.....	.....	.....
[fol. 365]	.....	.....	.....
Linn	7,040.00	1,272,888.00	180.81
Louisa .....	.....	.....	.....

EXHIBIT "B" TO DAVISON'S AFFIDAVIT—*Continued*

County	Acreage	Price	Average per acre
Lucas			
Lyon	42,101.20	8,006,393.31	190.17
Madison	4,283.99	544,430.00	103.75
Mahaska	3,661.50	680,625.00	185.89
Marion			
Marshall	16,826.68	3,287,424.46	195.37
Mills			
Mitchell			
Monona			
Monroe	5,352.50	499,252.00	93.25
Montgomery	30,665.25	6,041,449.23	197.02
Muscatine	5,663.50	1,177,772.00	207.95
O'Brien	41,450.61	8,638,487.61	208.40
Osceola	44,642.40	7,472,148.78	167.60
Page	30,990.00	4,355,557.00	140.00
Palo Alto			
Plymouth	17,911.35	3,009,430.48	168.02
Pocahontas	30,699.77	5,776,386.81	188.15
Polk			
Pottawattamie			
Poweshiek			
Ringgold	16,398.43	1,607,527.50	98.01
Sac	19,819.88	4,385,650.32	221.83
Scott			
Shelby	35,768.23	7,127,871.21	199.28
Sioux	20,369.15	3,853,117.50	144.98
Story			
[fol. 366]			
Tama			
Taylor	61,813.08	8,723,067.83	141.12
Union			
Van Buren	44,805.92	4,526,263.62	101.02
Wapello	14,896.87	2,420,449.05	162.48
Warren	10,875.94	1,549,257.99	142.35
Washington			
Wayne			
Webster	31,368.84	6,127,948.28	195.35
Winnebago			
Winneshiek			
Woodbury	29,812.28	4,082,524.00	136.95
Worth			
Wright	20,129.29	3,332,789.95	165.57
1,092,834.48		179,322,740.77	164.09

75.64 Average assessed value per acre for entire State.

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EXHIBIT "C" TO DAVISON'S AFFIDAVIT

Adjusted Valuation of Land

Adair	75.32	Jefferson	75.00
Adams	73.06	Johnson	79.72
Allamakee	54.80	Jones	68.16
Appanoose	55.14	Keokuk	75.15
Audubon	89.96	Kossuth	65.20
Benton	84.19	Lee	72.81
Black Hawk	85.37	Linn	85.29
Boone	86.00	Louisa	74.24
Bremer	78.34	Lucas	54.84
Buchanan	70.28	Lyon	90.35
Buena Vista	84.90	Madison	72.66
Butler	83.58	Mahaska	75.67
Calhoun	84.73	Marion	68.03
Carroll	90.16	Marshall	89.83
Cass	81.99	Mills	72.88
Cedar	84.04	Mitchell	72.52
Cerro Gordo	79.05	Monona	68.27
Cherokee	85.10	Monroe	54.92
Chickasaw	68.28	Montgomery	82.17
Clarke	59.73	Muscatine	80.31
Clay	76.84	O'Brien	94.81
Clayton	65.16	Osceola	77.25
Clinton	84.18	Page	78.30
Crawford	95.49	Palo Alto	73.17
Dallas	84.26	Plymouth	85.17
Davis	55.15	Pocahontas	80.54
Decatur	55.24	Polk	89.97
Delaware	69.73	Pottawattamie	77.70
Des Moines	79.19	Poweshiek	83.83
Dickinson	75.06	Ringgold	54.91
Dubuque	73.18	Sac	95.28
Emmet	68.04	Scott	86.74
Fayette	75.04	Shelby	89.85
Floyd	73.27	Sioux	95.05
Franklin	76.58	Story	95.97
Fremont	65.25	Tama	83.87
Greene	90.21	Taylor	67.83
Grundy	95.14	Union	65.22
Guthrie	72.76	Van Buren	55.07
Hamilton	80.29	Wapello	67.76
Hancock	65.15	Warren	73.04
Hardin	83.79	Washington	85.45
Harrison	65.52	Wayne	62.95
Henry	74.06	Webster	80.87
Howard	68.21	Winnebago	65.30
Humboldt	77.56	Winnesheik	65.16
Ida	94.88	Woodbury	77.98
Iowa	84.19	Worth	64.82
Jackson	64.94	Wright	77.25
Jasper	83.93		

[fol. 368]

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant,
vs.

NATHAN E. KENDALL et al., Defendants.

EVIDENCE: EXHIBIT "5"

*Affidavit of T. A. Polleys, Tax Commissioner for the Chicago &
North Western Railway Company, Setting Forth True Values and
Assessed Values of Real Estate in Certain Counties in Iowa for
the Years, 1916 to 1921, Inclusive*

STATE OF IOWA,

County of Polk, ss:

I, T. A. Polleys, being first duly sworn, on my oath depose and state:

1. That I am now and for more than five years past have been Tax Commissioner of the Chicago & North Western Railway Company; that as such Tax Commissioner I have given special attention to the subject of taxation of the property of this complainant throughout the various States through which its line runs and especially in the State of Iowa; that as Tax Commissioner I have made a special study of the relative valuation of railway property as compared with the valuations of other property in the State of Iowa, and for a period of more than five years I have actually gone into various counties in the State of Iowa and made copies of transfers and tabulated figures showing the actual value of farm lands in said counties as shown by the transfers and also figures showing the last preceding full value assessment of the lands thus sold.

2. That this work has been done by me under the authority of the Chicago & North Western Railway Company and I am empowered [fol. 369] by said Railway Company to make these representations and execute this affidavit.

3. That attached to this affidavit are Exhibits "1," "2," "3," "4," "5," and "6," which set forth the facts and figures hereinafter enumerated:

(a) Exhibit "1" sets forth, as of January 1, 1916, the estimated true value of Iowa lands in thirteen counties as determined by me from the study of numerous transfers and comparisons of such value with the average full assessed value per acre of the respective counties for the year 1915. Column One shows the counties in which the transfers were tabulated. Column Two shows the period covered by transfers. Column Three shows the number of transfers actually examined during said period. Column Four shows the actual number of acres covered by said transfers. Column Five shows the estimated true value of land per acre as of January 1, 1916, as determined from the transfers referred to in Column Three. Column Six shows the average actual assessed value of land in said counties as of January 1, 1916, being the assessment for 1915. Column Seven shows the

ratio of actual assessed value to the estimated true value as of January 1, 1916. To illustrate, Exhibit "1" shows that in Carroll County between the period, 1910 and 1916, there were 569 transfers covering 68,634 acres of land. That the estimated true value of land in Carroll County as determined from the transfers aforesaid was on January 1, 1916, \$168.00 per acre and that the average assessed value of land in Carroll County for the year 1915 was \$75.40, or 44.88% of the estimated true value; and by the same process, the same showings are set forth for Cerro Gordo, Clinton, Harrison, Linn, Lyon, O'Brien, Osceola, Plymouth, Polk, Pottawattamie, Sioux and Woodbury Counties.

(b) Exhibit "2" shows the same data for nineteen counties as indicated in Column One for the year 1917.

(c) Exhibit "3" shows the same data for nineteen counties as indicated in Column One for the year 1918.

(d) Exhibit "4" shows the same data for twenty-eight counties as indicated in Column One for the year 1919.

[fol. 370] (e) Exhibit "5" shows the same data for thirty counties as indicated in Column One for the year 1920.

(f) Exhibit "6" shows the same data for thirty counties as indicated in Column One for the year 1921.

4. That as Tax Commissioner for the Chicago & North Western Railway Company, I have for more than five years last past appeared before the Executive Council of the State of Iowa at its annual meeting held for the purpose of valuing railroads and filed tables such as are set forth in Exhibits "1," "2," "3," "4," "5," and "6," and also filed written argument calling the attention of the Executive Council to the discrepancy appearing between the actual value of land in the State of Iowa and the assessed value of said land, and have presented said arguments orally and filed said exhibits regularly in each of the years aforesaid for the purpose of impressing upon the minds of the members of the Executive Council the wide discrepancy between the assessed value of farm land as compared with the actual value thereof and the much narrower margin of discrepancy between the assessed value and the actual value of the Chicago & North Western Railway Company.

Wherefore, your affiant, on the basis of the exhibits aforesaid, avers and states the fact to be that between the period, January 1, 1916 and January 1, 1921, inclusive, the ratio of assessed full value of real estate in the counties set forth in said exhibits has, in no year, exceeded 47.18% of the estimated true value of land in the counties aforesaid and has been as low as 32.16% as shown in Exhibit "6," which indicates that while the value of land has rapidly increased during the period aforesaid, the exhibits show that the ratio of assessed value to true value has gradually diminished and that the ratio of the 1921 full assessed value to true value of land in Iowa is somewhat less than 35%.

(Sgd.) T. A. Polleys.

Subscribed and sworn to before me and in my presence by the said T. A. Polleys this 8th day of September, A. D. 1921. (Sgd.) Della Brody, Notary Public in and for Polk County, Iowa. (Seal.)

EXHIBIT 1 TO POLLEYS' AFFIDAVIT

1916 *Estimated Land Values in 13 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	No. of transfers	No. of acres sold	Estimated average true val. of land per acre Jan. 1, '16	Average actual ass'd val. of land Jan. 1, '16	Ratio of actual ass'd val. to est'd true value Jan. 1, '16
Carroll	1910-16	569	68,634	\$168.00	\$75.40	44.88%
Cerro Gordo	1910-16	650	91,570	140.75	61.76	44.67%
Clinton	1915-16	130	11,988	156.50	72.72	46.46%
Harrison	1915-16	264	22,632	130.75	61.32	46.89%
Linn	1910-16	542	51,649	158.50	67.80	42.77%
Lyon	1907-16	1,100	181,632	154.75	77.04	49.78%
O'Brien	1907-16	1,344	200,901	163.75	82.12	50.14%
Osceola	1907-16	1,100	183,353	139.75	66.92	47.83%
Plymouth	1907-16	1,450	265,972	152.50	78.80	49.71%
Polk	1910-16	465	37,425	164.00	83.28	50.78%
Pottawattamie	1910-16	784	21,638	137.25	68.55	49.94%
Sioux	1907-16	1,596	196,486	176.00	82.48	46.85%
Woodbury	1907-16	2,065	293,618	144.50	59.92	41.46%
13 Counties		12,059	1,630,454	\$152.18	\$71.78	47.18%

Compliments of T. A. Polleys, Tax Comm'r. C. & N. W. Ry. Co., Chicago, Ill., October 17, 1916. #265.

[fol. 372]

EXHIBIT 2 TO POLLEYS' AFFIDAVIT

1917 Estimated True Value of Land and 1916 Assessed Full Value of Rural Personal Property in 19 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by tfs	Number of tfs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1917	Average ass'd full val of land per acre Jan. 1, 1917	Ratio of ass'd full val to est'd true val Jan. 1, 1917	Ass'd full val of general personal property per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
Benton	1916-17	168	17,337	\$187.00	\$75.16	40.19%	\$9.61	\$3.24
Carroll	1910-17	699	82,757	167.00	75.40	45.15%	11.92	1.74
Cerro Gordo	1910-17	754	105,041	143.75	61.76	42.98%	6.93	1.52
Clinton	1915-17	211	21,660	155.75	74.20	47.64%	8.76	2.50
Harrison	1910-17	976	93,702	138.25	61.32	44.35%	8.32	1.76
Kossuth	1916-17	258	37,235	151.50	59.40	39.21%	6.56	1.17
Linn	1910-17	630	57,294	169.25	66.08	39.04%	8.76	4.67
Lyon	1907-17	1,163	195,271	171.75	77.04	44.86%	7.48	0.64
Marshall	1910-17	470	50,950	180.25	81.20	45.05%	9.28	4.45
Monona	1916-17	163	23,282	136.00	59.56	43.79%	6.40	0.61
O'Brien	1907-17	1,440	214,444	174.50	82.12	47.06%	16.44	1.26
Osceola	1907-17	1,168	193,077	148.50	66.92	45.06%	10.76	0.22

Plymouth	1907-17	1,585	222,623	164.75	78.80	47.83%	8.40	1.05
Polk	1915-17	432	34,715	180.50	83.28	46.13%	9.16	5.77
Pottawattamie	1910-17	1,020	106,116	152.25	68.55	45.02%	10.24	1.96
Sac	1916-17	188	20,989	191.50	78.82	41.15%	8.40	1.68
Sioux	1907-17	1,703	208,083	185.75	82.48	44.40%	9.28	1.31
Story	1916-17	150	15,874	192.50	80.60	41.87%	8.52	2.78
Woodbury	1907-17	2,297	323,618	140.25	60.68	43.27%	7.08	0.63
Total 19 Counties		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

(1) In the above named counties the average price per acre fixed by executors, administrators' and referees' sales and by inheritance tax appraisals, during 1916 and the first half of 1917, was \$144.74. The average assessed full value of the lands thus sold or appraised was \$71.75 per acre, and the ratio of the assessed full value to the sale price established in court proceedings was only 49.57%.

(2) The average sale price per acre indicated by the farm land transfers reported by the "Commercial West" for 1915 in 56 Iowa Counties was \$147.02, for 1916, the same source of information disclosed an average sale price in 55 Iowa counties of \$149.71 per acre; during the first half of 1917 the average sale price thus established for 46 Iowa counties is \$157.95 per acre.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., July 7, 1917. #288.

[fol. 373]

EXHIBIT 3 TO POLLEYS' AFFIDAVIT

1918 Estimated True Value of Land and 1917 Assessed Full Value of Rural Personal Property in 19 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by file	No. of file	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1918	Average ass'd full val of land per acre Jan. 1, 1918	Ratio of ass'd full val to est'd true val Jan. 1, 1918	Ass'd full val of general personal property per acre	
							Tangible property	Money's and credits
1	2	3	4	5	6	7	8	9
Benton	1916-18	287	28,586	193.75	75.68	39.06%	11.20	3.35
Carroll	1910-18	871	102,405	190.50	77.16	40.50%	8.56	1.83
Cerro Gordo	1910-18	830	116,698	144.00	67.76	47.06%	8.28	1.49
Clinton	1915-18	318	34,166	168.75	73.72	43.68%	9.20	2.73
Harrison	1910-18	1,142	111,974	145.00	64.96	44.80%	7.92	2.01
Kossuth	1916-18	525	74,794	147.25	54.68	37.13%	7.04	1.30
Linn	1910-18	847	75,768	188.75	73.92	39.16%	9.00	4.58
Lyon	1907-18	1,286	215,556	185.25	77.36	41.76%	7.96	0.84
Marshall	1910-18	637	69,969	195.50	82.76	42.33%	10.00	4.52
Monona	1916-18	309	41,793	140.50	60.32	42.93%	6.96	0.69
O'Brien	1907-18	1,065	233,360	186.00	82.20	43.72%	8.75	1.15
Oscoda	1907-18	1,232	204,558	170.00	67.44	39.67%	8.36	0.38

Plymouth	1907-18	1,730	240,187	174.00	78.04	44.85%	9.61	1.34
Polk	1915-18	643	54,473	215.25	97.12	45.12%	10.00	3.30
Pottawattamie	1910-18	1,335	143,661	173.50	68.44	39.42%	10.77	2.27
Sac	1916-18	339	40,023	203.00	79.04	38.94%	9.48	1.98
Sioux	1907-18	1,846	224,385	204.50	84.36	41.25%	10.36	2.39
Story	1916-18	333	34,162	212.50	85.60	40.28%	8.95	2.57
Woodbury	1907-18	2,595	362,823	161.50	67.26	41.65%	8.69	0.68
19 Counties (Jan. 1, 1918)		18,670	2,409,341	177.35	73.76	41.59%	8.96	2.06
19 Counties (Jan. 1, 1917)		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09

In the above named counties the average price per acre fixed by executors', administrators', and referees' sales and by inheritance tax appraisals, during 1917 and the first half of 1918, was \$157.65. The 1917 average assessed full value of the lands thus sold or appraised was \$72.06 per acre, and the ratio of the assessed full value to the sale price established in court proceedings was only 45.71%.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Illinois, July 5, 1918. #360.

[fol. 374]

EXHIBIT "F" TO POLLENS' AFFIDAVIT

(Copy)

1919 Estimated True Value of Land and 1918 Assessed Full Value of Rural General Personal Property in 28 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated average true value of land per acre Jan. 1st, 1919	Average assessed full val of land per acre Jan. 1, 1919	Ratio of assessed full val to estimated true val Jan. 1, 1919	Ass'd full val of general personal property per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
# Benton	1916-19	293	40,539	\$197.50	\$76.40	38.68%	\$12.48	\$4.50
Boone	1917-19	287	25,495	202.25	76.92	38.03%	10.80	4.41
# Carroll	1915-19	661	76,723	215.25	77.12	35.83%	12.76	2.93
Cedar	1918-19	238	25,407	193.25	80.96	41.89%	16.12	6.24
# Cerro Gordo	1915-19	582	78,517	154.75	67.27	43.47%	10.35	2.24
# Clinton	1915-19	434	43,877	179.25	74.16	41.37%	11.34	3.72
Greene	1917-19	345	44,566	198.50	76.44	38.51%	9.66	3.26
Hamilton	1918-19	258	28,837	203.75	73.73	36.18%	11.16	3.27

Hardin	1918-19	231	24,016	203.25	75.20	37.00%	10.60	2.48
# Harrison	1910-19	1,329	131,112	167.75	63.32	37.75%	11.60	2.52
# Kossuth	1916-19	778	109,644	152.75	54.88	35.93%	9.72	2.09
# Linn	1915-19	722	58,638	191.75	72.76	37.95%	11.24	5.44
# Lyon	1907-19	1,329	222,360	197.50	77.04	39.01%	10.08	1.50
# Mahaska	1917-19	274	22,020	181.75	73.72	40.56%	11.56	5.60
# Marshall	1916-19	531	58,441	212.75	81.56	38.34%	13.28	5.70
# Monona	1916-19	467	66,114	141.25	60.56	42.88%	8.84	1.38
# O'Brien	1907-19	1,747	262,283	213.50	82.52	38.65%	11.32	2.82
# Osceola	1907-19	1,308	217,247	185.00	67.48	36.48%	10.04	1.50
# Plymouth	1907-19	1,871	259,974	195.25	78.48	40.19%	12.12	2.91
# Polk	1915-19	841	70,584	215.00	90.20	41.95%	12.12	5.90
# Pottawattamie	1915-19	1,263	138,145	194.00	70.44	36.31%	15.56	3.15
# Sac	1916-19	516	62,809	227.50	79.44	34.92%	11.80	4.28
# Shelby	1917-19	385	46,873	214.25	76.65	35.78%	14.44	4.15
# Sioux	1907-19	2,038	247,598	245.00	84.64	34.55%	12.84	4.26
# Story	1916-19	509	54,038	225.50	82.64	36.97%	10.90	4.00
# Tama	1918-19	253	24,021	188.00	75.26	40.03%	12.45	4.07
# Webster	1918-19	303	34,444	200.50	74.09	36.95%	8.69	1.84
# Woodbury	1907-19	2,925	405,262	180.75	68.32	37.80%	13.04	1.22
28 Counties		22,820	2,879,634	194.31	74.16	38.17%	11.74	3.42
19 Counties Marked # (Jan. 1, 1919)		20,246	2,603,935	192.69	73.46	38.12%	11.76	3.22

1919 Estimated True Value of Land.—Continued.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated average true value of land per acre Jan. 1st, 1919	Average ass'd full val of land per acre Jan. 1, 1919	Ratio of ass'd full val to est'd true val Jan. 1, 1919	Ass'd full val of general personal property per acre		
							Tangible property	Moneys and credits	
1	2	3	4	5	6	7	8	9	
19 Counties Marked # (Jan. 1, 1918)		18,670	2,409,341	177.35	73.76	41.59%	8.96	2.06	
19 Counties Marked # (Jan. 1, 1917)		15,478	2,024,068	163.41	72.71	44.49%	9.36	2.09	

In the above named 28 counties 440 executors', administrators' and Referees' sales and inheritance tax appraisals, made chiefly during the year 1918 and the first half of the year 1919, and comprising 50,886 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$178.77. The 1918 average assessed full value of the acreage comprised in the above sales and appraisals was \$73.39 per acre, which bears a ratio of only 41.05% [fol. 375] to the sale price thus established by recent court sales or proceedings.

United States Railroad Administration, Director General of Railroads.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Rld., Chicago, Illinois, July 8, 1919. \$430.

1920 Estimated True Value of Land and 1919 Assessed Full Value of Rural General Personal Property in 30 Iowa Counties

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by tfs	No. of tfs	Number of acres sold	Estimated true value of land per acre (average) Jan. 1, 1918	Average ass'd full val of land per acre Jan. 1, 1918	Ratio of ass'd full val to est'd true val Jan. 1, 1918	Ass'd full val of general personal property per acre	
							Tangible property	Money's worth and credits
1	2	3	4	5	6	7	8	9
Benton	1916-20	694	77,486	\$252.00	\$83.64	33.19%	\$15.76	\$5.18
Boone	1917-20	465	41,419	213.75	86.28	40.36%	10.92	4.82
Butler	1918-20	215	26,755	196.00	83.00	42.35%	11.64	3.43
Carroll	1915-20	981	116,302	267.50	89.80	33.57%	12.63	2.99
Cedar	1918-20	511	59,362	262.00	84.32	32.18%	16.44	6.48
Cerro Gordo	1915-20	1,100	159,812	214.75	79.05	36.81%	10.82	2.01
Clinton	1915-20	770	86,312	221.50	84.00	37.92%	12.62	3.44
Greene	1917-20	580	74,435	232.75	92.08	39.56%	10.96	3.47
Grundy	1918-20	175	22,794	231.00	95.40	41.30%	13.88	3.86
Hamilton	1918-20	668	85,732	253.50	78.20	30.85%	15.44	3.64
Hardin	1918-20	530	62,205	218.00	83.88	38.47%	11.60	3.11
Harrison	1915-20	1,099	108,331	184.00	65.68	35.70%	10.60	2.56

1920 *Estimated True Value of Land—Continued*

Name of county	Period covered by transfers	Number of transfers	No. of acres sold	Estimated average true val. of land per acre, January 1st, 1920	Average ass'd full val. of land per acre, 1919	Ratio of 1919 ass'd full val. to est'd true val. Jan. 1, 1920	1919 ass'd full value of prop'l per acre	
							Tangible property	Monies and credits
1	2	3	4	5	6	7	8	9
Kossuth	1916-20	1,406	213,078	185.75	65.16	35.08%	11.03	2.27
Lincoln	1915-20	1,182	106,670	230.50	83.41	36.20%	11.94	6.35
Lyon	1907-20	1,562	263,090	271.25	90.64	33.45%	11.75	1.60
Malaska	1917-20	485	42,733	214.00	74.84	34.97%	11.52	5.84
Marshall	1916-20	852	98,812	266.50	90.08	33.80%	13.65	6.75
Monona	1916-20	712	102,908	155.75	67.76	43.50%	9.50	1.55
O'Brien	1907-20	2,034	308,519	268.25	90.88	33.88%	12.80	3.89
Osceola	1907-20	1,507	252,542	217.25	77.20	35.54%	20.08	2.01
Plymouth	1907-20	2,159	303,872	246.25	84.48	34.31%	14.00	3.61
Polk	1915-20	1,133	98,630	261.00	95.40	36.55%	11.72	7.38
Pottawattamie	1915-20	1,543	171,627	232.00	77.92	33.59%	14.43	3.79
Sac	1916-20	823	101,974	277.75	90.68	32.65%	13.35	3.67
Shelby	1917-20	530	65,442	256.75	89.88	35.00%	13.92	4.07
Sioux	1907-20	2,248	271,947	300.00	95.40	31.80%	14.95	5.11
Story	1916-20	889	100,181	288.00	94.64	32.86%	11.80	4.85

Tama	1918-20	665	72,286	247.00	81.72	33.08%	12.96	4.08
Webster	1918-20	750	91,641	256.00	80.20	31.27%	9.52	1.98
Woodbury	1907-20	3,522	491,724	214.00	76.96	35.96%	11.15	1.27
30 Counties		31,790	4,078,601	236.54	83.01	35.09%	12.71	3.75
28 Counties (Exc. Butler & Grundy Co's) Jan. 1, 1919,		22,820	2,879,634	194.31	74.16	38.17%	11.74	3.42

In the above named 30 counties 474 executors, administrators' and referees' sales and inheritance tax appraisals, made chiefly during the year 1919 and the first half of the year 1920, and comprising 62,720 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$215.16. The 1919 average assessed full value of the acreage comprised in the above court sales and appraisals was \$81.39 per acre, which bears a ratio of only 37.83% to the average sale price thus established by recent court sales or proceedings.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., July 8, '20.
Copies of this table may be had on application. #517.

1921 *Estimated True Value of Land and 1920 Assessed Full Value of Rural General Personal Property in 30 Iowa Counties*

The land values shown below are based on land sales and assessments during the periods below indicated, and are computed by the assessment ratio process used by the tax commissions of Wisconsin and Minnesota.

Name of county	Period covered by transfers	Number of trans- fers	No. of acres sold	Estimated average true val.		Average ass'd full val. of land per acre, year 1920	Ratio of 1920 ass'd full val. to est'd true val. Jan. 1, 1920	1920 ass'd full value of gen'l per- sonal property per acre	
				1st, 1921	5		7	8	9
Benton	1916-21	816	91,615	\$277.50		\$84.60	30.49%	\$14.43	\$5.47
Boone	1917-21	878	88,788	272.00		86.64	31.85%	11.12	6.79
Butler	1918-21	565	72,609	218.25		82.72	37.90%	10.92	4.72
Carroll	1915-21	1,112	130,738	286.00		91.47	31.98%	12.48	3.80
Cedar	1918-21	618	70,390	279.75		84.80	30.31%	16.27	7.91
Cerro Gordo	1915-21	1,250	181,306	220.25		79.33	36.02%	11.20	2.01
Clinton	1915-21	896	98,779	228.75		83.95	36.70%	11.87	3.58
Cirene	1917-21	1,023	140,327	287.25		90.04	31.35%	9.84	5.56
Grundy	1918-21	391	54,491	301.00		95.92	31.87%	12.24	5.38
Hamilton	1918-21	896	102,492	279.75		78.20	27.95%	10.88	3.95
Hardin	1918-21	621	75,405	240.25		83.74	34.86%	10.92	3.68
Harrison	1915-21	1,214	121,569	199.50		65.86	33.01%	10.27	3.20
Kossuth	1916-21	1,688	256,871	207.25		65.56	31.63%	10.42	2.65
Linn	1915-21	1,429	127,760	249.00		83.60	33.57%	12.40	7.31
Lyon	1907-21	1,682	282,579	254.25		91.32	32.13%	10.71	2.14

Mahaska	1917-21	1,019	102,257	260.00	75.04	28.86%	11.60	7.56
Marshall	1916-21	944	107,867	290.00	91.00	31.38%	12.74	7.46
Monona	1916-21	812	119,264	171.50	67.45	39.33%	8.72	1.29
O'Brien	1907-21	2,130	323,509	284.00	92.35	32.52%	13.23	4.45
Osceola	1907-21	1,625	275,734	222.25	75.28	33.87%	11.22	1.81
Plymouth	1907-21	2,263	318,472	273.00	85.17	31.20%	12.49	3.34
Polk	1915-21	1,353	118,407	284.50	96.07	33.77%	11.84	8.73
Pottawattamie	1915-21	1,753	193,785	256.00	77.92	30.44%	13.82	3.62
Sac	1916-21	927	115,135	310.25	91.20	29.40%	13.30	4.54
Shelby	1917-21	750	93,890	305.25	90.72	29.72%	13.44	4.41
Sioux	1907-21	2,358	287,710	324.25	107.20	33.06%	14.20	5.26
Story	1916-21	995	111,296	318.00	99.04	31.14%	11.27	5.24
Tama	1918-21	753	80,115	252.50	83.36	33.01%	13.26	5.90
Webster	1918-21	849	102,880	286.50	80.81	28.21%	9.05	2.33
Woodbury	1907-21	3,750	523,641	221.00	76.00	34.39%	11.19	1.76
30 Counties		37,270	4,766,662	261.02	83.93	32.16%	11.93	4.42
Jan. 1, 1920, 30 Counties		31,790	4,078,601	236.54	83.01	35.09%	12.71	3.75

In the above named 30 counties 307 executors, administrators' and referees' sales and inheritance tax appraisals, made chiefly during the year 1920 and the first half of the year 1921, and comprising 41,718 acres, establish the fact that the average price per acre of the land thus sold or appraised was \$243.23. The 1920 average assessed full value of the acreage comprised in the above court sales and appraisals was \$85.26 per acre, which bears a ratio of only 35.05% to the average sale price thus established by recent court sales or proceedings.

Compliments of T. A. Polleys, Tax Comm'r, C. & N. W. Ry. Co., Chicago, Ill., June 28, 1921. #703.
Copies of this table may be had on application.

EVIDENCE: EXHIBIT "6"

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES
MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant,

vs.

NATHAN E. KENDALL et al., Defendants.

Affidavit of T. A. Polleys, Tax Commissioner for the Chicago & North Western Railway Company, Describing the Wide Distribution of Land Sales Throughout the Counties and in Individual Government Townships Within the Counties Covered by the Land Sales Investigation Made on Behalf of said Complainant in Thirty-four Counties Covering Transfers Executed in 1920 and 1921.

STATE OF IOWA,

County of Polk, ss:

I, T. A. Polleys, being first duly sworn, on my oath depose and state:

1. That I am now and for more than five years past have been the Tax Commissioner of the Chicago & North Western Railway Company and that I am empowered by said Railway Company to make the representations hereinafter contained and to execute this affidavit.

2. That as said Tax Commissioner, I have had charge of the investigation of transfers of farm lands made during the years 1920 and 1921 in 34 Iowa counties crossed by the lines of the said Chicago & North Western Railway Company; that I have examined the detail sheets covering the transfers gathered in said counties in such investigation and made an analysis of the same for the purpose of determining the number of said sales located in the several government townships within said thirty-four counties; that in the thirty- [fol. 379] four counties mentioned there are located 609 entire or fractional townships; that in each of 80 of said government townships, the number of land transfers executed in 1920 and 1921 and covered by said investigation, as above mentioned, was less than 10, a considerable number of said 80 townships, however, being fractional townships, part of the same being located in the county in question and part in an adjoining county; that in 246 of the said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 10 to 19, inclusive; that in 180 of the said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 20 to 29, inclusive; that in 73 of said

Exhibit 1 to Pooley's affidavit

(Copy)

R. 22

R. 21

R. 20

R. 19

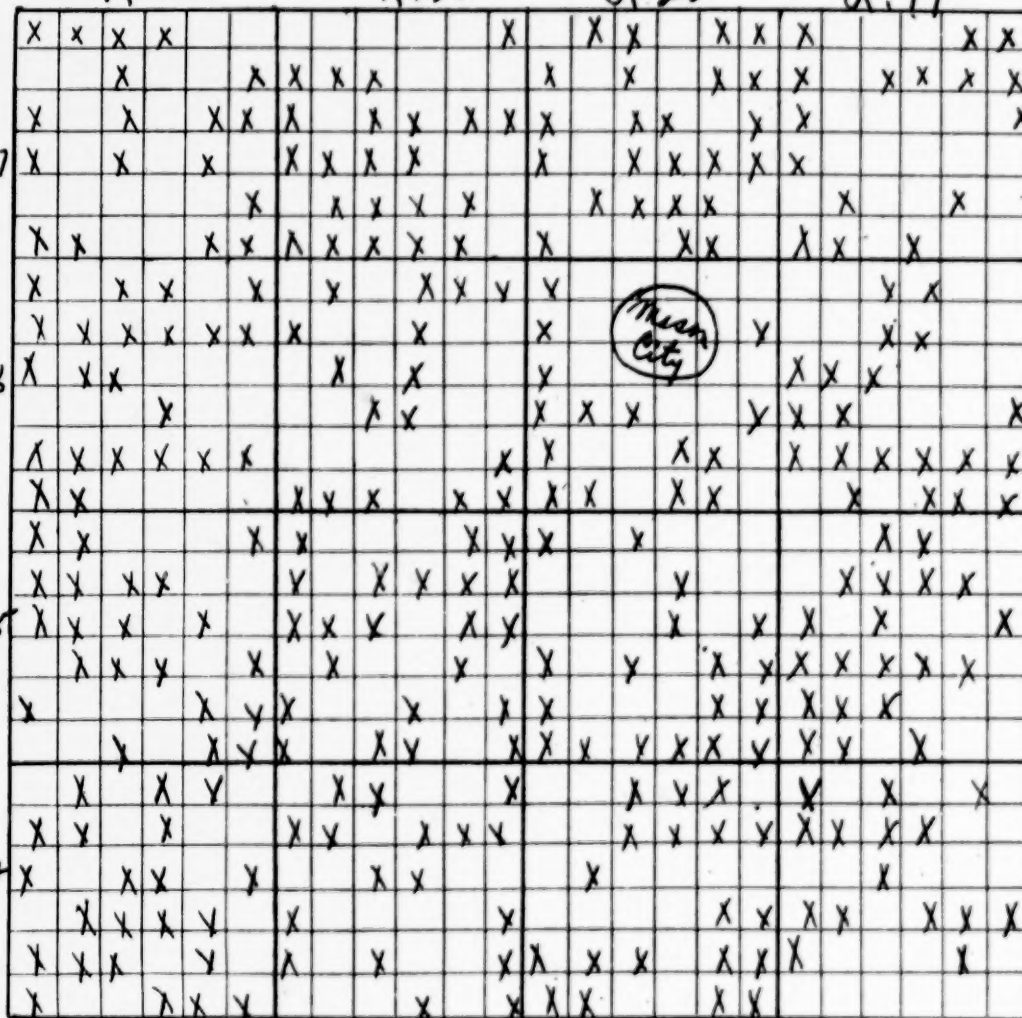
380

Sp. 97

Sp. 96

Sp. 95

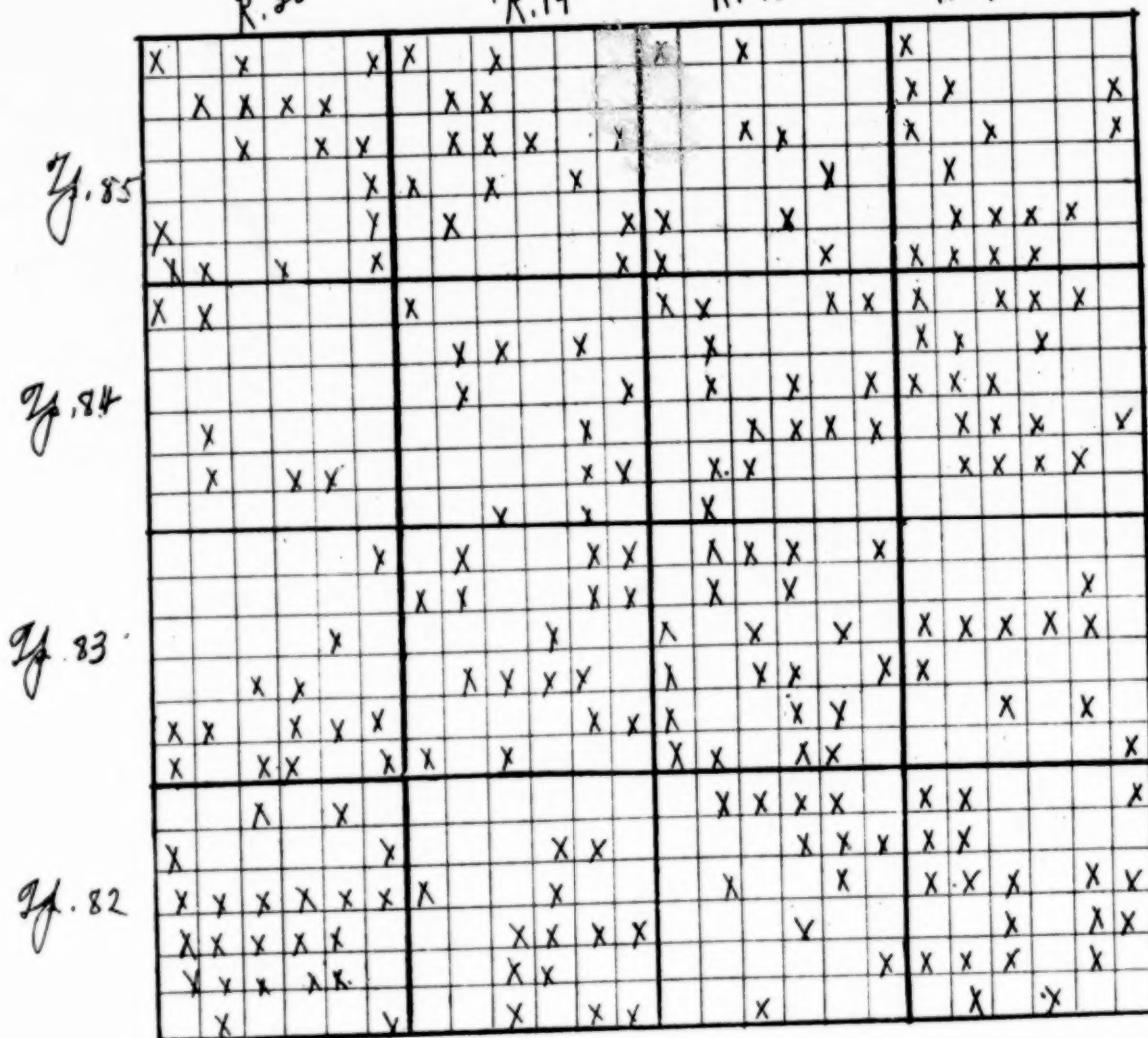
Sp. 94



Cerro Gordo Co. Iowa - Plot of location of 1920-21
Land Sales

(copy)
 Marshall Co., Iowa: - Exhibit "1"
 Plot of location 71920-21 land sales
 R. 20 R. 19 R. 18 R. 17

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government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 30 to 39, inclusive; that in 25 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 40 to 49, inclusive; and that in 5 of said government townships, the number of transfers executed in 1920 and 1921 and covered by said investigation, range from 50 to 59, inclusive.

3. That Exhibit "1," attached hereto, is intended to illustrate, for the counties of Cerro Gordo and Marshall, the wide distribution of the land transfers executed in 1920 and 1921 and covered by said investigation, among the various sections of the government townships included within said two counties; that the said diagram is fairly illustrative of the wide distribution of said land sales in the other remaining thirty-two counties covered by the land sales investigation conducted on behalf of said complainant.

(Sgd.) T. A. Polleys,

Subscribed in my presence and sworn to before me by the said T. A. Polleys this 8th day of September, A. D. 1921.
(Sgd.) Della Brody, Notary Public in and for Polk County, Iowa. (Sgd.)

(Here follows Exhibit 1 to Polley's Affidavit, marked side folio pages 380 and 381.)

EVIDENCE: EXHIBIT "7"

(Copy)

[61,382] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION, AT DES MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant,

vs.

NATHAN E. KENDALL et al., Defendants.

Affidavit of W. L. Harding, Former Governor of Iowa

STATE OF IOWA,

County of Polk, ss:

I W. L. Harding, being first duly sworn, on my oath depose and say:

That I am a resident of Sioux City, Woodbury County, Iowa; that I was Governor of Iowa from the middle of January, 1917 to the middle of January, 1921; that during that period and all of that period, I was a member of the Executive Council of the State of Iowa;

that as a member of said Executive Council, in the years 1917 and 1919, during the month of July, as by statute provided, the Executive Council sat as a State Board of Review on the equalization of all property other than public utilities; that said Executive Council had before it the values placed upon farm lands by the assessors from the various counties, said information being transmitted by the county auditors; that said Executive Council, in its deliberations, simply equalized the valuations of farm lands as between the various counties; that there was no attempt made on the part of the Council [fol. 383] to fix the value of farm lands throughout the state of — in the various counties, but simply to equalize the values that had been placed thereon by the assessors throughout the state; that independent of this information, the Executive Council and the members thereof gathered information as to the actual value of farm lands throughout the state through the Secretary of the Executive Council sending out letters of inquiry to bankers, real estate dealers, farmers, and other classes of people in position to know the actual value of farm lands, as well as certain information in reference to actual sales that had taken place; that as an individual member of the Executive Council, I have traveled throughout every county in this state and have talked with many people in the various counties as to actual value of farm lands and upon this information and all other information which came to me, it is my opinion that the assessed value of farm lands, as equalized by the Executive Council, did not in any county exceed 50% of the actual value of farm lands in that county.

(Sgd.) W. L. Harding.

Subscribed in my presence and sworn to before me by the said W. L. Harding this 10th day of September, A. D. 1921.
(Sgd.) Della Brody, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 384] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL
DIVISION, AT DES MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant,

vs.

NATHAN E. KENDALL et al., Defendants.

(Copy)

EVIDENCE: EXHIBIT "8"

*Affidavit of Frank S. Shaw, Former Auditor of State of the State of
Iowa*

STATE OF IOWA,

County of Polk, ss:

I, Frank S. Shaw, being first duly sworn, on my oath depose and
say:

That I am a resident of Des Moines, Polk County, Iowa; that I was Auditor of State of the State of Iowa from January 2, 1915 to January 3, 1921; that during that period and all of that period, I was a member of the Executive Council of the State of Iowa; that as a member of said Executive Council, in the years 1915, 1917 and 1919, during the month of July, as by statute provided, the Executive Council sat as a State Board of Review on the equalization of all property other than public utilities; that said Executive Council had before it the values placed upon farm lands by the assessors from the various counties, said information being transmitted by the county auditors; that said Executive Council, in its deliberations, simply equalized the valuations of farm lands as between the various counties; that there was no attempt made on the part of the Council to fix the value of farm lands throughout the state or in the various counties, [fol. 385] but simply to equalize the values that had been placed thereon by the assessors throughout the state; that independent of this information, the Executive Council and the members thereof gathered information as to the actual value of farm lands throughout the state through the Secretary of the Executive Council sending out letters of inquiry to bankers, real estate dealers, farmers, and other classes of people in position to know the actual value of farm lands, as well as certain information in reference to actual sales that had taken place; that as an individual member of the Executive Council, I have traveled throughout many counties in this state and have talked with many people in the various counties as to actual value of farm lands and upon this information and all other information which came to me, I am of the opinion that the assessed value of farm lands, as equalized by the Executive Council, did not in

any county exceed 50% of the actual value of farm lands in that county.

(Sgd.) Frank S. Shaw.

Subscribed in my presence and sworn to before me by the said Frank S. Shaw this 10th day of September, A. D. 1921. (Sgd.) M. Helen Thompson, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 386] IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION, AT DES MOINES

CHICAGO & NORTH WESTERN RAILWAY COMPANY, Complainant.

vs.

NATHAN E. KENDALL et al., Defendants.

(Copy)

EVIDENCE: EXHIBIT "D"

Affidavit of E. H. Hoyt, Former Treasurer of State of The State of Iowa

STATE OF IOWA,

County of Polk, ss:

I, E. H. Hoyt, being first duly sworn, on my oath depose and say:

That I am a resident of Manchester, Delaware County, Iowa, and that I have resided in the State of Iowa for more than forty years last past; that between May, 1917 and 1920, inclusive, I was Treasurer of the State of Iowa and by virtue of my office was a member of the Executive Council of the State of Iowa;

That by virtue of being a member of the Executive Council, I was also a member of the State Board of Review; that during the period I was a member of the Executive Council, said Council performed their duties with respect to equalizing the assessment of farm lands in the following manner:

From various sources of information, including their knowledge with respect thereto, the Council ascertained the average value of [fol. 387] farm lands in the various counties throughout the state for the year 1920. This was done principally by the Secretary of said Council, under their direction, securing the opinion of bankers, real estate men, farmers, and others in each of the counties of the state as to the value of farm lands in such counties. Based upon this information, the Council attempted to equalize the assessed value of farm lands as returned to it by the county auditors by raising or lowering such valuation so that as between the counties the assessed value of farm lands should bear the same relation to the actual value.

The Executive Council did not attempt at any time to raise the assessed value of farm lands so as such assessed value should equal the actual value thereof, it being the theory of the Executive Council that their duties required simply the equalization as between the counties.

From the information above secured, it was found that the assessment upon farm lands as made by the county assessors as reported by the county auditors did not represent the actual value of such lands and in fact was very considerably below such actual value, nor did the assessed value of farm lands, as equalized by said Executive Council, represent the full actual value.

(Sgd.) E. H. Hoyt.

Subscribed in my presence and sworn to before me by the said E. H. Hoyt this 10th day of September, A. D. 1921.
(Sgd.) Della Brody, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 388] IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. —

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY, Complainant,

vs.

NATHAN E. KENYALL, Governor of the State of Iowa, et al., Defendants.

(Copy)

EVIDENCE: EXHIBIT "10"

Affidavit in Support of Motion for Temporary Injunction

STATE OF IOWA.

County of Polk, ss:

I, A. B. Howland, being first duly sworn on oath state that I am a citizen and resident of the State of Iowa, and a practicing attorney and counselor at law.

That by Section 1377, et seq. of the Code of Iowa, it is provided that the county auditors of the respective counties within this State shall transmit to the Auditor of State an abstract of real and personal property in his county, showing the number of acres of land and the aggregate, actual and taxable value of the same, returned by the assessors as corrected by the County Board of Review, and the Executive Council, acting as a State Board of Review, shall adjust the

valuation or property of the several counties, adding to or deducting from the valuation of each kind such percentage as will bring the same to its taxable value, as provided by law, and that the several schedules hereto attached are true and correct statements taken from the records of the Executive Council of Iowa, relating to the reports of said county auditors to the Executive Council, and show respectively the name of the county, the number of acres of land returned for [fol. 389] each county by the respective auditors thereof, also the average full or actual value per acre of such land, and the equalized or adjusted value thereof, as made by the Executive Council under Sections 1378 and 1379 of the Code of 1897; and that Exhibit "A" shows such facts hereinbefore stated for the years 1917 and 1918. Exhibit "B" shows such facts for the years 1919 and 1920, and Exhibit "C" for the year 1921, and said assessment as shown by said Exhibit "C" is the assessment upon which taxes for the year 1922 have been levied; that said figures have been computed from the records of the Executive Council of the State of Iowa, and are true and correct as shown by said records. That the average actual value of all farm lands of the State of Iowa as returned to the Executive Council and equalized or adjusted by such Executive Council for the years 1917 and 1918 was Sixty-eight and 13/100 Dollars (\$68.13) per acre; for the years 1919 and 1920 Seventy-five & 64/100 Dollars (\$75.64) per acre, and for the years 1921 and 1922 Seventy-six & 63/100 Dollars (\$76.63) per acre, as shown by the records of the said Executive Council of the State of Iowa.

(Sgd.) A. B. Howland,

Subscribed and sworn to before me by the said A. B. Howland this 23rd day of October, A. D. 1922. (Sgd.) M. H. Parmelee, Notary Public in and for said county. (Seal.)

[fol. 390]

EXHIBIT "A"

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1917 and 1918, as Provided in Sections 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	355,851	\$57.36	\$57.65
Adams	266,213	63.59	63.23
Allamakee	406,063	40.10	42.65
Appanoose	310,630	47.32	48.10
Audubon	275,539	84.49	76.26
Benton	439,050	76.87	76.87
Black Hawk	348,330	74.23	73.34
Boone	350,739	76.40	76.66
Bremer	264,683	70.52	68.49
Buchanan	348,286	63.06	62.50
Buena Vista	353,901	78.28	78.56

EXHIBIT "A"—Continued

County	Acres of land assessed	Reported value per acre	Adjusted value
Butler	355,242	75.63	75.63
Calhoun	350,628	77.83	74.91
Carroll	353,868	77.03	77.15
Cass	350,672	73.90	73.90
Cedar	356,066	80.08	79.89
Cerro Gordo	346,109	65.33	67.93
Cherokee	364,732	79.25	79.32
Chickasaw	311,275	63.37	62.16
Clarke	267,025	49.62	49.62
Clay	343,328	67.70	67.73
Clayton	476,389	42.07	55.43
Clinton	423,688	71.83	74.56
Crawford	440,539	80.69	80.45
Dallas	364,589	76.06	74.70
Davis	315,908	45.47	44.51
Decatur	328,580	37.51	45.97
Delaware	359,661	66.59	66.96
Des Moines	251,855	72.73	72.96
Dickinson	232,363	52.98	57.38
Dubuque	376,209	58.33	58.72
Emmet	238,615	61.28	57.78
Fayette	449,221	68.15	66.96
Floyd	312,143	48.90	67.65
Franklin	356,325	75.68	74.88
Fremont	311,082	51.54	60.96
Greene	355,282	76.35	76.63
Grundy	312,036	84.70	84.33
Guthrie	371,719	63.96	63.71
Hamilton	364,841	73.26	73.57
Hancock	354,539	52.76	54.93
Hardin	345,913	74.71	74.50
Harrison	425,369	61.30	63.17
Henry	259,954	73.81	73.81
Howard	291,595	56.47	56.43
Humboldt	270,371	72.23	71.61
Ida	267,160	91.26	84.00
Iowa	363,000	77.10	76.40
Jackson	393,632	54.68	54.68
Jasper	441,054	77.24	76.00
Jefferson	268,433	56.60	62.99
Johnson	380,729	64.60	75.06
Jones	353,318	62.92	64.02
[fol. 391]			
Keokuk	356,643	68.99	68.70
Kossuth	602,836	53.93	53.81
Lee	312,221	54.32	66.45

EXHIBIT "A"—Continued

County	Acres of land assessed	Reported value per acre	Adjusted value
Linn	444,656	73.37	72.51
Louisa	249,862	73.68	74.00
Lucas	276,442	47.71	44.88
Lyon	360,760	85.73	77.31
Madison	351,825	62.35	62.22
Mahaska	354,298	74.60	73.60
Marion	308,928	63.21	63.21
Marshall	346,959	81.22	80.44
Mills	261,937	58.76	69.25
Mitchell	294,829	71.71	71.89
Monona	422,560	54.95	60.77
Monroe	262,004	45.11	45.16
Montgomery	260,747	75.70	76.15
Muscatine	265,654	74.36	74.36
O'Brien	352,010	83.96	82.52
Osceola	245,962	67.24	67.01
Page	326,684	77.72	75.61
Palo Alto	351,046	57.84	55.93
Plymouth	531,446	65.70	79.00
Pocahontas	357,060	78.97	72.00
Polk	340,027	100.38	89.79
Pottawattamie	576,761	66.11	68.57
Poweshiek	368,558	75.87	76.25
Ringgold	337,274	47.00	49.12
Sac	355,181	79.09	78.97
Scott	273,930	80.03	85.00
Story	347,709	80.51	82.14
Tama	442,365	72.45	75.76
Taylor	329,808	63.36	62.28
Union	270,410	53.35	59.61
Van Buren	303,518	34.35	48.25
Wapello	261,918	61.74	60.92
Warren	351,136	66.05	63.87
Washington	347,237	75.08	75.83
Wayne	322,254	47.75	51.13
Webster	440,954	74.28	72.62
Winnebago	247,045	55.00	54.63
Winnesick	429,021	50.39	49.87
Woodbury	529,393	68.33	67.42
Worth	247,603	56.15	55.37
Wright	354,811	71.45	71.70
Shelby	369,916	75.81	76.43
Sioux	464,565	85.00	85.00
Total	34,383,141	\$66.86	\$68.13

[fol. 392]

EXHIBIT B

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1919 and 1920, as Provided in Section- 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	356,859	\$58.39	\$75.32
Adams	264,932	64.09	73.06
Allamakee	408,090	42.16	54.80
Appanoose	331,697	49.24	55.14
Audubon	275,814	94.69	89.96
Benton	441,550	77.21	84.19
Black Hawk	342,009	75.56	85.37
Boone	350,062	86.00	86.00
Bremer	263,660	71.33	78.34
Buchanan	346,503	63.32	70.28
Buena Vista	353,795	78.61	84.90
Butler	354,208	83.58	83.58
Calhoun	349,735	77.03	84.73
Carroll	351,938	81.97	90.16
Cass	350,101	75.92	81.99
Cedar	354,601	81.60	84.04
Cerro Gordo	346,137	79.05	79.05
Cherokee	364,197	79.54	85.10
Chickasaw	309,795	63.83	68.28
Clarke	265,255	49.78	59.73
Clay	342,608	74.61	76.84
Clayton	471,993	42.31	65.16
Clinton	400,913	71.34	84.18
Crawford	439,967	102.67	95.49
Dallas	365,292	76.60	84.26
Davis	319,537	44.49	55.15
Decatur	335,413	38.97	55.24
Delaware	362,479	69.73	69.73
Des Moines	249,519	72.30	75.19
Dickinson	273,901	73.88	75.06
Dubuque	369,920	62.43	73.18
Emmet	241,358	70.15	68.04
Fayette	448,502	69.49	75.04
Floyd	306,908	57.69	73.27
Franklin	358,091	76.58	76.58
Fremont	312,244	56.25	65.25
Greene	355,480	80.50	90.21
Grundy	310,866	85.71	95.14
Guthrie	367,148	64.39	72.76
Hamilton	364,948	75.04	80.29
Hancock	354,612	52.12	65.15
Hardin	349,512	74.82	83.79
Harrison	427,269	65.52	65.52

EXHIBIT B—Continued

County	Acres of land assessed	Reported value per acre	Adjusted value
Henry	262,050	74.06	74.06
Howard	291,742	59.84	68.21
Humboldt	269,075	77.56	77.56
Ida	274,102	99.87	94.88
Iowa	359,469	78.69	84.19
Jackson	394,150	55.99	64.94
Jasper	446,035	78.44	83.93
Jefferson	264,608	57.26	75.00
Johnson	382,742	67.55	79.72
Jones	348,532	64.31	68.16
[fol. 393]			
Keokuk	355,696	\$65.59	\$75.15
Kossuth	604,990	60.94	65.20
Lee	312,156	55.16	72.81
Linn	445,082	81.25	85.29
Louisa	249,608	74.24	74.24
Lucas	274,619	56.32	54.84
Lyon	360,759	78.57	90.35
Madison	354,244	72.66	72.66
Mahaska	354,393	75.67	75.67
Marion	348,854	61.88	68.06
Marshall	347,201	87.22	89.83
Mills	257,449	58.78	72.88
Mitchell	294,773	72.52	72.52
Monona	416,612	57.37	68.27
Monroe	264,771	46.15	54.92
Montgomery	260,558	75.39	82.17
Muscatine	262,459	76.42	80.31
O'Brien	351,926	84.66	94.81
Osceola	245,890	70.25	77.25
Page	326,522	78.30	78.30
Palo Alto	351,298	66.52	73.17
Plymouth	534,455	81.93	85.17
Pocahontas	538,050	87.54	80.54
Polk	367,526	87.35	89.97
Pottawattamie	567,617	74.00	77.70
Poweshiek	367,697	76.21	83.83
Ringgold	330,912	50.38	54.91
Sac	354,959	79.40	95.28
Scott	269,584	86.74	86.74
Shelby	365,147	75.51	89.85
Sioux	465,186	84.87	90.05
Story	347,465	81.25	95.07
Tama	444,864	76.25	83.87
Taylor	330,285	60.03	67.83
Union	269,477	53.46	65.22

EXHIBIT B—Continued

County	Acres of land assessed	Reported value per acre	Adjusted value
Van Buren	303,072	34.85	55.07
Wapello	263,025	61.60	67.76
Warren	356,840	61.60	73.04
Washington	348,092	77.69	85.45
Wayne	321,548	53.80	62.95
Webster	440,006	80.87	80.87
Winnebago	255,296	56.30	65.30
Winneshiek	428,172	50.91	65.16
Woodbury	524,764	77.98	77.98
Worth	246,971	56.86	64.82
Wright	357,160	71.53	77.25
	34,434,953	70.36	75.64

Assessed	Adjusted Value	26,319,168.87
Assessed	reported value	24,129,194.62

[fol. 394]

EXHIBIT C

Schedule Showing Number of Acres of Land, Exclusive of Town Lots, and the Actual and Adjusted Value Thereof for Years 1921 and 1922, as Provided in Sections 1377, 1378, and 1379, Code of Iowa.

County	Acres of land assessed	Reported value per acre	Adjusted value
Adair	356,161	\$59.30	\$75.31
Adams	265,248	61.33	73.33
Allamakee	407,153	42.66	54.60
Appanoose	312,861	45.23	55.18
Audubon	276,208	84.28	90.17
Benton	441,202	83.17	84.00
Black Hawk	342,107	76.36	85.42
Boone	350,517	87.89	87.89
Bremer	266,382	79.24	79.24
Buchanan	346,488	65.85	70.46
Buena Vista	353,675	78.61	84.90
Butler	353,806	79.01	79.80
Calhoun	348,867	99.36	84.46
Carroll	353,614	87.99	89.75
Cass	350,390	81.97	81.97
Cedar	353,866	84.62	84.62
Cerro Gordo	345,983	84.10	79.05
Cherokee	364,031	87.23	85.49
Chickasaw	310,175	68.61	68.61
Clarke	264,449	60.02	60.02

EXHIBIT C--Continued

County	Acres of land assessed	Reported value per acre	Adjusted value
Clay	347,346	86.47	76.96
Clinton	424,207	71.26	84.09
Clayton	468,365	42.68	65.30
Crawford	440,101	96.05	96.05
Dallas	362,121	84.35	84.35
Davis	318,779	55.17	55.17
Decatur	338,214	42.42	55.15
Delaware	360,568	69.13	69.13
Des Moines	252,312	72.77	74.95
Dickinson	219,365	75.29	75.29
Dubuque	369,526	78.27	73.48
Emmet	240,544	64.66	67.89
Fayette	448,714	73.10	75.29
Floyd	306,225	57.46	73.55
Franklin	357,092	77.28	77.28
Fremont	313,393	66.17	66.17
Greene	355,517	87.97	90.41
Grundy	310,581	85.53	94.72
Guthrie	369,100	64.56	72.95
Hamilton	355,430	74.58	80.55
Hancock	354,296	53.15	65.37
Hardin	348,924	83.78	83.78
Harrison	426,928	62.75	65.30
Henry	362,034	74.93	74.93
Howard	291,556	59.46	68.38
Humboldt	269,329	77.35	77.35
Ida	266,853	101.14	95.07
Iowa	359,611	83.24	83.24
Jackson	397,547	64.76	64.76
Jasper	446,784	84.35	84.35
Jefferson	265,737	57.78	75.11
Johnson	379,711	65.95	79.80
Jones	353,810	66.67	68.00
Keokuk	358,867	74.71	74.71
Kossuth	605,347	67.68	64.97
Lee	310,405	55.49	72.69
[fol. 395]			
Linn	445,015	\$85.65	\$85.65
Louisa	250,049	73.82	73.82
Lucas	275,945	55.44	55.44
Lyons	360,736	78.53	90.31
Madison	354,511	73.56	73.56
Mahaska	355,351	75.79	75.79
Marion	351,482	61.81	67.98
Marshall	347,695	86.88	89.49
Mills	261,343	59.06	72.64

EXHIBIT C—Continued

County	Acres of land assessed	Reported value per acre	Adjusted value
Mitchell	295,029	72.56	72.56
Monona	414,518	58.76	65.88
Monroe	264,619	49.23	54.14
Montgomery	260,006	76.00	82.08
Muscatine	265,206	75.91	80.46
O'Brien	351,992	84.58	94.73
Osceola	245,977	76.94	76.94
Page	319,371	80.19	78.59
Palo Alto	350,796	70.19	73.00
Plymouth	532,676	82.24	85.53
Pocahontas	357,721	88.63	80.75
Polk	339,672	100.72	89.64
Pottawattamie	573,291	75.57	77.84
Poweshiek	367,342	76.53	84.18
Ringgold	337,555	53.59	53.59
Sac	355,052	90.98	95.53
Scott	269,717	89.16	86.49
Shelby	363,685	76.64	89.67
Sioux	466,731	93.91	94.85
Story	347,360	81.97	95.08
Tama	448,778	81.17	83.61
Taylor	325,753	72.37	68.03
Union	261,749	53.41	65.16
Van Buren	301,392	34.91	55.16
Wapello	262,540	60.26	67.49
Warren	357,223	68.99	73.13
Washington	343,363	78.14	85.17
Wayne	324,903	53.07	63.15
Webster	440,804	80.89	80.89
Winnebago	254,425	70.59	65.65
Winneshiek	426,859	64.56	64.56
Woodbury	526,626	86.83	78.15
Worth	252,337	65.11	64.84
Wright	356,405	72.44	77.51
Total	34,368,516	\$73.26	\$76.63

1921-1922.

[fol. 396] IN THE DISTRICT COURT OF THE UNITED STATES IN AND
FOR THE SOUTHERN DISTRICT OF IOWA, CENTRAL DI-
VISION

[Title omitted]

EVIDENCE COMPLAINANT'S EXHIBIT II--Filed October 23, 1922

Affidavit of A. Hermann, Assistant General Auditor of The Chicago, Rock Island and Pacific Railway Company Showing the Value of Complainant's System and of That Portion Thereof in Iowa for the Years 1918 to 1922, Inclusive.

STATE OF ILLINOIS,
County of Cook, ss:

I, A. Hermann, of lawful age, being first duly sworn, on my oath do depose and state:

I

That I am now and have been since March 1, 1921, Assistant General Auditor of The Chicago, Rock Island & Pacific Railway Company, complainant herein. That continuously prior thereto for a period of nine years, I was Auditor of Disbursements, and I have been continuously in the employ of said railway company in the Accounting Department thereof for a period of eighteen years last past. That as Assistant General Auditor, I have direct charge and supervision of the books of account of said railway company and during substantially all of the term of my employment by said company it has been my duty to examine into its accounting books and [fol. 397] records and familiarize myself with the methods and results of accounting; that since 1912 it has been my duty to compile figures from the books and records of the company for use in making annual reports to the Interstate Commerce Commission and various state commissions and to compile figures to be used in making income, franchise and other tax returns.

II

That I have examined the books and records of said railway company and compiled figures therefrom all of which are true and complete, showing the value of The Chicago, Rock Island & Pacific Railway Company and its leased lines for the State of Iowa for the period beginning July 1, 1917, and ended June 30, 1922. That Exhibits 1 to 7, which are attached to this affidavit and are incorporated herein and made a part hereof, were prepared by me and under my direct and personal supervision, for the purpose of showing the value of the property of said railway company and its leased lines, herein after for convenience called "Rock Island System" (the property of Chicago, Rock Island & Gulf Railway Company being excluded be-

cause independently owned and operated) and especially the value of said Rock Island System which should be properly allocated to the State of Iowa for taxation purposes.

III

To aid in a proper understanding of the annexed exhibits, affiant makes the following explanation thereof:

EXHIBIT No. 1

This exhibit shows the par value of the stocks and bonds of the railway company outstanding for the several years 1918 to 1922, inclusive, and the average thereof, \$349,047.318 for the five year period. The total par value of securities for each year is apportioned to the State of Iowa upon various separate bases, to-wit:

[fol. 398] 1. **Railway Operating Revenues.**—Means railway operating revenue as defined by the Interstate Commerce Commission in its classification of revenues and includes all revenues from transportation (e. g. freight, passenger, rail, express, etc.), all incidental revenues (e. g. dining car, restaurant, demurrage, telegraph, rents from buildings, etc.) and revenues from facilities jointly operated with other railroads.

2. **Net Revenue from Railway Operations.**—Means net revenue from railway operation as defined by the Interstate Commerce Commission classification of revenues and is arrived at by deducting from the "Railway Operating Revenue" the "Operating Expenses" consisting of the total sum spent in maintaining and operating the property used for common carrier purposes.

3. **Miles of Road Operated.**—The miles of road operated is defined in the instructions given by the Interstate Commerce Commission in its form for making annual report required by the Interstate Commerce Commission Act. It includes the miles of first main track operated whether owned or leased or over which the railway company has trackage rights.

4. **Miles of All Track Operated.**—This includes all tracks of whatever description owned, leased or operated by the railway company, i. e. all main tracks, yard tracks, sidings, industrial tracks, etc.

5. **Transportation Train Miles.**—This term is defined by the Interstate Commerce Commission classification of mileage and includes the aggregate mileage made by all trains engaged in the transportation for revenue purposes (i. e. excludes mileage of trains engaged exclusively in work service).

6. **Traffic Units.**—Traffic Units are arrived at by adding together the "passengers one mile" and "freight tons one mile."

The ratios allotted to the State of Iowa are arrived at for each basis as follows:

1. **Railway Operating Revenues.** The railway operating revenue for each year is ascertained as above described for the Rock Island System. The railway operating revenue for the State of Iowa consists of that arising from all traffic performed wholly within the State of Iowa, plus a mileage proportion of all other traffic which either originates in the State of Iowa and terminates in some other state, or originates in some other state and terminates in Iowa, or which originates and terminates in some other state, but passes en route through Iowa—this method of assigning railway operating revenue being employed by this company in assigning its railway operating revenue to the different states in which it operates. The ratio between the said railway operating revenue and railway operating revenue for the State of Iowa is thereupon obtained; for the year 1917, for example, this ratio or percentage was 23.33. By applying this ratio to the total par value of stocks and bonds for that year \$328,779,355, I determined the value in the State of Iowa for 1918 to be [fol. 400] \$76,704,224. On the same line of Exhibit I shown separately for the years 1919, 1920, 1921 and 1922, as determined by the same process for each year, the value of the property of the Rock Island System allocated to the State of Iowa, and in the last column is the average value for said five years.

2. **Net Revenue from Railway Operations.**—Net revenue from railway operations for the State of Iowa is ascertained by subtracting from the railway operating revenues for the State of Iowa, ascertained by the method above described, the proportion of operating expenses which are properly allocated to Iowa; such allocation being made upon the basis of the formula as set forth in the statement attached to this affidavit, incorporated herein, and made a part hereof, marked Exhibit "A." Said formula is applied after the operating expenses have been separated as between freight and passenger service according to the method prescribed by the Interstate Commerce Commission. Said formula required that those operating expenses, such as maintenance of roadway, which can be directly allocated to a particular state, to be so allocated; items of operating expense which cannot be so directly allocated, such as maintenance of equipment are apportioned to the particular state by the method contained in said formula. This formula is employed by this company in respect of each of the different states in which it operates.

The proportion between the net revenue from railway operation for the Rock Island System and for the State of Iowa is then determined. For the year 1918, for example, this proportion or percentage of net revenue from railway operation in Iowa was 12.61 and being applied to the total "Par Value of Stocks and Bonds" for 1918 gives \$41,459,077 as the value in the State of Iowa for the year 1918. The percentage of net revenue from railway operation for each of the succeeding years 1919 to 1922 inclusive is obtained in like manner and the result for each year is similarly shown on exhibit I, together with the average for the five year period as shown in the last column amounting to \$24,981,516.

3. Miles of Road Operated.—The miles of road operated within the State of Iowa was directly ascertained and the ratio thereof between this figure and the entire system miles of road operated is thereupon determined. For 1918 this ratio was 29.37. This percentage is similarly applied to the total system value for each of the years 1918 to 1922 inclusive.

4. Miles of All Track Operated.—Miles of all track operated within the State of Iowa are directly determined and the ratio to the entire system miles of all track operated is ascertained and applied as above described.

5. Transportation Train Miles.—The Transportation Train Miles within the State of Iowa are directly ascertained; that is, the transportation train miles which were performed in the State of Iowa, as respects both freight and passenger service are recorded currently from the trainmen's time slips. The proportion which the Iowa transportation train miles bear to the transportation train miles of [fol. 102] the Rock Island System is ascertained; in the year 1918 this ratio or percentage for Iowa was 27.22, this percentage being applied to the total valuation of \$328,779,355 gives the value in the State of Iowa as \$89,193,740. The ratios for the succeeding years was determined in like manner, and the result of applying these respective ratios to the value of the system for each year are shown in the various columns, the average for the five years being shown in the last column, amounting to 895,963,935.

6. Traffic Units.—The Traffic Units performed in the State of Iowa are likewise ascertained directly, that is the number of passengers carried one mile and the tons of freight moving one mile, within the State of Iowa, are calculated from data currently recorded. "Passengers One Mile" is ascertained by multiplying the number of passengers moving in Iowa by the average distance traveled by them in Iowa. "Tons One Mile of Freight" is ascertained by multiplying the total freight tonnage moving in Iowa by the average distance which each ton moved in Iowa. The traffic units are obtained by adding the tons one mile of revenue freight carried and the passengers one mile of revenue passengers carried. The traffic units in Iowa in 1918 were 24.32 of the traffic units of the Rock Island System; this percentage applied to the total valuation of \$328,779,355, determined the value in the State of Iowa on this basis to be \$79,959,139. The ratios for each succeeding year are shown and also the results obtained by applying these ratios to the value of each [fol. 103] year respectively, and the average for five years is shown in the last column amounting to \$83,397,234.

The average of the above six methods is shown for each year 1918 to 1922, opposite the line reading "Average of Six." In the last column of this line is shown the average for the five years as determined by the six different methods of allocation aforesaid amounting to \$81,624,987.

IV

EXHIBIT No. 2

Exhibit No. 2 shows the value of the Rock Island System based upon the market value of its stocks and bonds, for each year 1918 to 1922, inclusive, and an average for such five year period, amounting to \$225,359,823. The market value of the stocks and bonds was ascertained from reports of market prices contained in current issues of "The Monthly Supplement to Commercial & Financial Chronicle," a financial magazine regularly published each week at New York City. The prices quoted in said monthly supplement are those representing transactions in Chicago, Rock Island & Pacific Railway Company stocks and bonds on the New York Stock Exchange. I took the highest price and the lowest price for each month during each of the years 1918 to 1922, inclusive, and averaged them by adding and dividing by 24. I did this for each of the various issues of stocks and bonds except that where a particular issue was not dealt [fol. 404] in for one or more months, I obtained the average by using only those months in which transactions were reported, and except further that one small issue, Little Rock Bridge Company First Mortgage Bonds, was figured at par owing to lack of any market data.

Exhibit No. 2 shows this system value calculated on the basis of the market value of stocks and bonds apportioned to the State of Iowa upon each of the six bases heretofore described. The ratios used in connection with each basis for each year are the same for each exhibit, numbers 1 to 7 inclusive, such ratios being stated at the foot of Exhibit No. 1.

Exhibit No. 2 shows the average 5 year value as thus apportioned to the State of Iowa on each basis; and shows the average obtained by adding the results of the six different bases for each year and dividing by six. These last mentioned averages are combined for each of the five years and a resulting five year average obtained of \$52,705,346.

V

In the preparation of Exhibits Nos. 1 and 2, we excluded the amount of certain bonds representing investments in (a) other securities such as Chicago & Alton Railroad Preferred Stock, Toledo, St. Louis & Western Railroad Company Bonds, Liberty Loan Bonds, Crawford County Mining Company Common Stock, etc. (b) miscellaneous non-carrier property all located without the State of Iowa, such as coal lands in Colorado, rail and other material leased to industrial railroads, etc. The amount of securities represent the cost of these outside investments and should be deducted as we have done before arriving at the value of the company's system of railway as a whole and in the State of Iowa.

[fol. 405] It should also be noted that the stocks and bonds used in the preparation of Exhibits 1 and 2 are those outstanding in the hands of the public and do not include treasury stock or other securities held in the treasury of the company.

VI

Exhibit No. 3 shows the system value for each year 1918 to 1922 inclusive obtained by capitalizing of net railway operating income for each year on the basis of 6%, the result being as follows:

Year ended 6-30-1918.....	\$203,580,354
" " 6-30-1919.....	111,553,240
" " 6-30-1921.....	43,730,339
" " 6-30-1922.....	248,234,987
Average for 5 years.....	\$141,128,255

These values for the several years are apportioned to the State of Iowa upon each of the six bases heretofore described using the ratios shown at the bottom of Exhibit No. 1. The total of the various bases for each year is also shown and the five year average of these totals is shown at the bottom of the right hand column amounting to \$33,461,037.

Exhibit No. 4 is like Exhibit No. 3 except that the net railway operating income has been capitalized upon the basis of 7%, instead of 6%, and the result of the five year average for the combined totals of the six bases is \$28,680,889.

VII

Exhibit No. 5 shows the value for the Rock Island System for the years 1919 and 1920 respectively calculated by capitalizing upon the bases of 6% the amount received from the United States during Federal control as "standard return" for the use of the Rock Island System [fol. 403] ten properties. This value has been apportioned to the State of Iowa upon the basis or ratio shown in Exhibit 1 for the years 1919 and 1920 respectively. The standard compensation was determined by the Interstate Commerce Commission pursuant to the terms of Section 1 of the Federal Control Act and represents the average annual net railway operating income plus car hire and joint facility rents for the three years period ended June 30, 1917. The amounts allocated by the respective bases for each year are totalled and the average of the six thus obtained, and also the average of the combined totals for the two years are obtained amounting to \$57,954,486.

VIII

Exhibit No. 6 shows the amount of the property investment of the Rock Island System as reported to the Interstate Commerce Commission as of October 31, 1919 to enable the Commission to establish rates as provided by the Transportation Act of 1920. The amount so reported for the Rock Island System was \$374,308,331.

The Rock Island System lies within the so-called "Western District" as defined by the Interstate Commerce Commission in its decision report in Docket Ex parte No. 74, in which it established a

scale of rates pursuant to the mandate of the Transportation Act. The other railroads in the Western District made a similar report of their property investment to the Commission, and it appears from the opinion in Ex Parte 74 that the commission used a figure for all the roads in the Western District which represented a reduction of 8.15 per cent from the aggregate of the property investment figures reported by said Western District railroads. We have therefore deducted \$30,506,129 (being 8.15 per cent of \$374,308,331 reported to the Commission for the Rock Island System) leaving \$343,802,202 as the net property invested of the Rock Island System under Ex [fol. 407] Parte 74. It should be understood, however, that the Commission in its opinion in Ex Parte 74 did not state the value of any railroad singly but stated only the total values for the entire group. This net property investment for the system of \$343,802,202 has been apportioned to the State of Iowa as follows:

The total locomotive miles made upon the Rock Island System for the year ended June 30, 1922 were ascertained and likewise the locomotive miles made during that year within the State of Iowa. The latter were found to be 26.51 per cent of the total locomotive miles. In like manner it was ascertained that the freight train car miles for that period made within the State of Iowa were 24.97 per cent of the freight train car miles made upon the entire system; and that the passenger train car miles (exclusive of motor car miles) for that period made within the State of Iowa were 24.58 per cent of the entire passenger train car miles (exclusive of motor car miles) for the system; and that the motor car miles for that period made within the State of Iowa were 6.11 per cent of the entire motor car miles for the system. Combining the freight and passenger car miles, we ascertain that the combined car mileage in Iowa was 24.91 per cent of the total car miles thus combined for the system.

The company's books state the value of its equipment as a whole, but not separated between different classes of equipment, i. e. the book figure represents locomotives, freight and passenger cars, etc. in a lump sum, \$71,994,019. In order to assign the proper amount of this figure representing aggregate value to locomotives, freight train cars, passenger train cars, etc. separately, we took the aggregate cost of reproduction of our equipment as reported by the Bureau of Valuation of the Interstate Commerce Commission and ascertained the percentage which the Bureau of Valuation figures for locomotives bore to the total for all equipment; we then applied this percentage to the figure representing our book value of equipment. The result was that \$22,871,837 was ascertained to be the book value of locomotives of the total book value of \$71,994,019. In like manner the amount which the Bureau of Valuation reported as the cost of reproduction for freight train cars was compared with the total which the Bureau reported as the cost of reproduction new of all equipment, and the resulting percentage was applied to our total figure for book value of equipment, \$71,994,019, the result being that \$36,854,145 was ascertained to represent freight train cars. In like manner the figure representing book value of equipment was allocated to passenger train cars, motor equipment, working equipment

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

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Assignment of Property Value to State of Iowa

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	Year Ended June 30th.					Accumulated Total	Ave Piv
	1918	1919	1920	1921	1922		
Value of entire line as represented by Per Value of Stocks and Bonds	\$328,779,355	\$339,683,377	\$340,651,620	\$366,285,580	\$370,836,650	\$1,745,236,590	\$349
<u>Apportioned to State of Iowa on basis of</u>							
Railway Operating Revenues	\$ 76,704,224	\$ 83,417,716	\$ 80,734,434	\$ 85,710,828	\$ 83,401,163	\$ 409,968,365	\$ 81
Net Revenue from Railway Operations	41,459,077	32,649,078	12,195,328	-	38,604,095	124,907,578	24
Miles of Road Operated	96,562,497	99,031,019	101,548,248	109,226,362	110,546,405	516,914,531	103
Miles of All Track Operated	93,504,849	96,457,026	98,346,123	105,453,621	106,393,035	500,154,654	100
Transportation Train Miles	89,493,740	95,932,369	94,769,281	99,446,537	100,125,896	479,818,323	95
Traffic Units	79,959,139	83,952,609	81,483,868	83,696,257	87,888,286	416,986,159	83
Total	\$477,683,526	\$491,496,317	\$469,077,282	\$483,533,605	\$526,958,880	\$2,448,749,610	\$489
Average of Six	\$ 79,613,921	\$ 81,916,053	\$ 78,179,547	\$ 80,588,934	\$ 87,826,480	\$ 408,124,935	\$ 81
<u>Ratios Allotted to State of Iowa</u>							
Railway Operating Revenues	23.33	24.63	23.70	23.40	22.49		
Net Revenue from Railway Operations....	12.61	9.64	3.58	Deficit	10.41		
Miles of Road Operated	29.37	29.24	29.81	29.82 ✓	29.81 ✓		
Miles of All Track Operated	28.44	28.48	28.87	28.79	28.69		
Transportation Train Miles	27.22	28.34	27.82	27.15	27.00		
Traffic Units	24.32	24.79	23.92	22.85	23.70		
Use of Property					25.39		

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

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Exhibit No. 1

Assignment of Property Value to State of Iowa

to
Herman's
Affidavit

	Year Ended June 30th.					Accumulated Total	Average for Five Years
	1918	1919	1920	1921	1922		
line as represented by Stocks and Bonds	\$328,779,355	\$339,603,377	\$340,651,620	\$366,285,588	\$370,836,650	\$1,745,236,590	\$349,047,318
to State of Iowa on basis of							
Operating Revenues	\$ 76,704,224	\$ 83,417,716	\$ 80,734,434	\$ 85,710,828	\$ 83,401,163	\$ 409,968,365	\$ 81,993,673 ✓
Revenue from Railway Operations	41,459,077	32,649,078	12,195,328	-	38,604,095	124,907,578	24,981,516
Road Operated	96,562,497	99,031,019	101,548,248	109,226,362	110,546,405	516,914,531	103,382,906
All Track Operated	93,504,849	96,457,026	98,346,123	105,453,621	106,393,035	500,154,654	100,030,931
Station Train Miles	89,493,740	95,932,369	94,769,281	99,446,537	100,125,896	479,818,323	95,963,665
Units	79,959,139	83,952,609	81,483,868	83,696,257	87,888,286	416,986,159	83,397,231
.....	\$477,683,526	\$491,496,317	\$469,077,282	\$483,533,605	\$526,958,880	\$2,448,749,610	\$489,749,922
of Six	\$ 79,613,921	\$ 81,916,053	\$ 78,179,547	\$ 80,588,934	\$ 87,826,480	\$ 408,124,935	\$ 81,624,987
letted to State of Iowa							
Operating Revenues	23.33	24.63	23.70	23.40	22.49		
Revenue from Railway Operations.....	12.61	9.64	3.58	Deficit	10.41		
Road Operated	29.37	29.24	29.81	29.82 ✓	29.81 ✓		
All Track Operated	28.44	28.48	28.87	28.79	28.69		
Station Train Miles	27.22	28.34	27.82	27.15	27.00		
Units	24.32	24.79	23.92	22.85	23.70		
Property					25.39		

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

Exhibit No. 2

Assignment of Property Value to State of Iowa

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Herman's
Affidavit

	Year Ended June 30th.					Accumulated Total	Average for Five Years
	1918	1919	1920	1921	1922		
Value of entire line as represented by Market Value of Stocks and Bonds	\$198,376.733	\$219,556.859	\$211,245.778	\$234,739.043	\$262,980.695	\$1,126,799.114	\$225,359.823
<u>Apportioned to State of Iowa on basis of</u>							
Railway Operating Revenues	\$ 46,281.293	\$ 54,076.854	\$ 50,065.249	\$ 54,928.936	\$ 59,121.868	\$ 264,474.200	\$ 52,894.840
Net Revenue from Railway Operations	25,015.307	21,165.281	7,562.599	-	27,365.880	81,109.067	16,221.813
Miles of Road Operated	58,263.248	64,198.426	62,972.366	69,999.183	78,364.735	333,797.958	66,759.592
Miles of All Track Operated	56,418.345	62,529.793	60,986.656	67,581.370	75,420.471	322,936.635	64,587.327
Transportation Train Miles	53,998.148	62,222.414	59,768.575	63,731.650	70,977.788	309,698.575	61,939.715
Traffic Units	48,245.223	54,428.145	50,529.990	53,637.871	62,302.725	269,143.954	53,828.791
 Total	 \$288,221.564	 \$318,620.913	 \$290,885.435	 \$309,879.010	 \$373,553.467	 \$1,581,160.389	 \$316,232.078
 Average of Six	 \$ 48,036.927	 \$ 53,103.486	 \$ 46,480.906	 \$ 51,646.502	 \$ 62,258.911	 \$ 263,526.732	 \$ 52,705.346

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

Exhibit No. 3

Assignment of Property Value to State of Iowa

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to
Herman's
Affidavit

	Year Ended June 30th.					Accumulated Total	Average for Five Years
	1918	1919	1920	1921	1922		
Value of entire line as represented by Net Railway Operating Income Capitalized at 6%	\$203,580,354	\$111,553,240	\$ 98,542,356	\$ 43,730,339	\$248,234,987	\$ 705,641,276	\$141,128,255
<u>Apportioned to State of Iowa on basis of</u>							
Railway Operating Revenues	\$ 47,495,297	\$ 27,475,563	\$ 23,354,538	\$ 10,232,899	\$ 55,828,049	\$164,386,346	\$ 32,877,269
Net Revenue from Railway Operations	25,671,483	10,753,732	3,527,816	-	25,841,262	65,794,293	13,158,859
Miles of Road Operated	59,791,550	32,618,167	29,375,476	13,040,387	73,998,850	208,821,430	41,764,886
Miles of All Track Operated	57,898,253	31,770,363	28,449,178	12,589,965	71,218,618	201,926,377	40,385,275
Transportation Train Miles	55,414,572	31,614,188	27,414,493	11,872,787	67,023,446	193,339,476	38,667,895
Traffic Units	49,510,742	27,654,048	23,571,332	9,992,382	58,831,692	169,560,196	33,912,039
Total	\$295,781,897	\$161,886,061	\$135,692,823	\$ 57,728,420	\$552,741,917	\$1,003,831,118	\$200,766,223
Average of Six	\$ 49,296,983	\$ 26,981,010	\$ 22,615,471	\$ 9,621,403	\$ 58,790,319	\$ 167,305,186	\$ 33,461,037

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

Assignment of Property Value to State of Iowa

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✓ Exhibit No. 4

to
Herman's
Affidavit

	Year Ended June 30th.					Accumulated Total	Average for Five Years
	1918	1919	1920	1921	1922		
Value of entire line as represented by Net Railway Operating Income Capitalized at 7%	\$174,497,446	\$ 95,617,062	\$ 84,464,876	\$ 37,483,148	\$212,772,846	\$ 604,835,378	\$120,967,076
<u>Apportioned to State of Iowa on basis of</u>							
Railway Operating Revenues	\$ 40,710,254	\$ 23,550,482	\$ 20,018,176	\$ 8,771,057	\$ 47,852,613	\$ 140,902,582	\$ 28,180,516
Net Revenue from Railway Operations	22,004,128	9,217,485	3,023,843	-	22,149,653	56,395,109	11,279,022
Miles of Road Operated	51,249,900	27,950,429	25,178,980	11,177,475	63,427,585	178,992,369	35,798,474
Miles of All Track Operated	49,627,074	27,231,739	24,385,010	10,791,398	61,044,530	173,079,751	34,615,950
Transportation Train Miles	47,498,205	27,097,875	23,498,129	10,176,675	57,448,668	165,719,552	33,143,911
Traffic Units	42,437,779	23,703,470	20,203,998	8,564,899	50,427,165	145,337,311	29,067,462
Total	\$253,527,340	\$138,759,480	\$116,308,136	\$ 49,481,504	\$302,350,214	\$ 860,426,674	\$172,085,335
Average of Six	\$ 42,254,557	\$ 23,126,580	\$ 19,384,689	\$ 8,246,917	\$ 50,391,702	\$ 143,404,445	\$ 28,680,889

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

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Exhibit No. 5

Assignment of Property Value to State of Iowa

to
Herman's
Affidavit

	Year Ended June 30th.		Accumulated Total	Average for Two Years
	1919	1920		
Value of entire line as represented by the Annual Rental Paid by the Government During Federal Control and Guaranty Period Capitalized at 6% per Annum ..	\$245,899,805	\$245,899,805	\$491,799,610	\$245,899,805
<u>Apportioned to State of Iowa on basis of</u>				
Railway Operating Revenues	\$ 60,565,122	\$ 58,278,254	\$118,843,376	\$ 59,421,688
Net Revenue from Railway Operations	23,704,741	8,003,213	32,507,954	16,253,977
Miles of Road Operated	71,901,103	73,302,732	145,203,835	72,601,917
Miles of All Track Operated	70,032,264	70,991,274	141,023,538	70,511,769
Transportation Train Miles	69,688,005	68,409,326	138,097,331	69,048,665
Traffic Units	60,958,562	58,819,233	119,777,795	59,888,898
Total	\$356,849,797	\$338,604,032	\$695,453,829	\$347,726,914
Average of Six	\$ 59,474,966	\$ 56,434,005	\$115,908,971	\$ 57,954,486

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

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Exhibit No. 6

Assignment of Property Value to State of Iowa

to
Hernan's
Affidavit

Value of entire line as represented by Property Investment shown in Ex Parte No. 74 at October 31st, 1919..	\$392,426,763
Less Property Investment of The C.R.I. & G.Ry. Co.	18,118,432
Property Investment - The C.R.I. & P. Ry. Co.	\$374,308,331

Book Value of Equipment as of October 31st, 1919, Separated Between Different Classes of Equipment

On Basis of Inventoried Value as of June 30th, 1915, Plus Additions and Betterments

	The C.R.I. & P.Ry. Co.	Apportioned to State of Iowa	
		Per Cent	Amount
Locomotives	\$ 22,871,837	26.51	\$ 6,063,324
Freight Train Cars	36,854,145	24.97	9,200,460
Passenger Train Cars	8,054,064	24.58	1,983,521
Motor Equipment	73,682	6.11	4,502
Work Equipment	4,098,734	24.91	1,020,935
Miscellaneous	1,557	24.91	388
Total	\$ 71,954,013	25.39	\$19,281,210
Value of Property Other than Equipment	302,314,312	25.39	76,757,604
Total	\$374,308,331		\$95,038,814
Less percentage of reduction which Commission applied to all lines in Western District (8.15%)	30,506,129		7,745,663
Net Property Investment as Determined by Commission	\$343,802,202		\$87,293,151

Ratios Allotted to State of Iowa, based on Transportation Miles Year Ended June 30th, 1922

Locomotive Miles	26.51%	Motor Car Miles	6.11%
Freight Train Car Miles	24.97%	Freight and Passenger Car Miles Combined	24.91%
Passenger Train Car Miles	24.58	Total Equipment Value as Assigned	25.39%

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY

416

Exhibit No. 7

Assignment of Property Value to State of Iowa

Value is calculated by combining the average value as determined in Exhibits One to Six, inclusive.

to
Herman's
Affidavit

Methods Used	Average Values Determined	
	The C.R.I. & P.Ry.Co.	State of Iowa
Exhibit No. 1 - Par Value of Stocks and Bonds	\$ 349,047,318	\$ 81,624,987
" " 2 - Market Value of Stocks and Bonds	225,359,823	52,705,346
" " 3 - Net Railway Operating Income Capitalized at 6%	141,128,255	33,461,037
" " 4 - Net Railway Operating Income Capitalized at 7%	120,967,076	28,680,889
" " 5 - Annual Rental Paid by the Government Capitalized at 6% ..	245,899,805	57,954,486
" " 6 - Property Investment Shown in Ex Parte #74	343,602,202	87,293,151
Total	\$1,426,204,479	\$341,719,896
Average of Six	\$ 237,700,746	\$ 56,953,316
Per Cent State of Iowa to Entire Line		23.96

and miscellaneous equipment. The amount thus obtained as representing the book value of locomotives, i. e. \$22,871,837 was apportioned to the State of Iowa upon the basis of the locomotive miles ratio aforesaid amounting to 26.51; the book value of freight train cars was apportioned to Iowa on the basis of the freight train car mile ratio, and the book value of passenger train cars was apportioned upon the passenger car mile ratio and the book value of motor equipment was apportioned upon the motor car miles ratio aforesaid. The work and miscellaneous equipment was allocated to Iowa upon the ratio of 24.91 (being the ratio obtained by using a combination of freight and passenger car miles within the State of Iowa as compared with the system).

Taking the total property investment as reported to the Interstate Commerce Commission of \$374,308,331 and subtracting that portion representing book value of equipment, \$71,994,019, the balance \$302,314,312 represents the book value of roadway, tracks, [fol. 409] buildings and other common carrier property. This \$302,314,312 has been allocated to the State of Iowa upon the same percentage used in assigning the total equipment value, i. e. 25.39 per cent. The values apportioned to Iowa are as follows:

Equipment	\$18,281,210
Property other than equipment	76,757,604
Total	\$95,038,814
Less percentage of reduction applied by Interstate Commerce Commission on all lines in Western Dis- trict (8.15)	7,745,663
Net Iowa property investment.....	\$87,293,151
under Ex Parte 74.	

IX

Exhibit No. 7 is a recapitulation of the previous exhibits and shows an average value calculated by combining the average values as determined in Exhibits 1 to 6 inclusive, the amount thereof for Iowa being \$56,953,316, which is 23.96 per cent of the average system value obtained in like manner.

(Sgn.) A. Hermany.

Subscribed and sworn to before me this 29th day of August,
A. D. 1922. (Sgn.) W. J. Gedl, Notary Public. (Seal.)

(Here follow Exhibits 1-7, inc., marked side folio pages 410-416,
inc.)

[fol. 417] *Formula Used in the Allocation of Operating Revenues, Railway Tax Accruals, Uncollectible Railway Revenue, Other Income Items, and Deductions*

Account 101—Freight Revenue:

1—Between States:

Revenue derived from state business, i. e., business originating at and destined to points within the state and moving wholly within the state, credited to state in which the movement occurs.

Revenue derived from inter-state business (in or out-bound or passing through), assigned to states on a straight mileage prorate.

2—Between freight and passenger:

All freight.

Account 102—Passenger Revenue,

" 103—Excess Baggage Revenue,

" 105—Parlor and Chair Car Revenue,

" 108—Other Passenger Train Revenue,

" 111—Special Service Train Revenue,

1—Between States:

Revenue derived from state business, i. e., business originating at and destined to points within the state and moving wholly within the state, credited to the state in which the movement occurs.

Revenue derived from inter-state business (in or out-bound and passing through), assigned to states on a straight mileage prorate.

2—Between freight and passenger:

Assigned actual to passenger or freight.

Account 106—Mail Revenue:

1—Between States:

Revenue derived from rail routes lying wholly within the state, credited to the state within which the route is located.

Revenue from mail routes located in two or more states, allocated to the states on the basis that the mileage of each route in the state in which located, bears to the mileage of the total route.

2—Between freight and passenger:

All passenger.

[fol. 418] Account 107—Express Revenue:

1—Between States:

Assigned to states on the basis that the loaded express car miles in each state bear to the total loaded express car miles of the entire line.

2—Between freight and passenger:

All passenger.

Account 110—Switching Revenue:

1—Between States:

Actual amount of switching collected within the state.

2—Between freight and passenger:

Assigned according to class of equipment switched.

Account 112—Other Freight Train Revenue:

1—Between States:

Revenue derived from state business, i. e., business originating at and destined to points within the state and moving wholly within the state, credited to the state in which the movement occurs.

Revenue derived from inter-state business (in or out, or passing through), assigned to states on a straight mileage prorate.

2—Between freight and passenger:

All freight.

Account 131—Dining and Buffet Cars:

1—Between States:

Revenue derived from cars running wholly within the state, credited to the state in which the movement occurs.

Revenue derived from cars running into or through more than one state, assigned to states on a straight mileage prorate.

2—Between freight and passenger:

All Passenger.

[fol. 419] Account 133—Station, Train and Boat Privileges:

1—Between States:

Revenue derived from station privileges, assigned to the states in which the stations are located; news privileges apportioned to states on basis of passenger train miles of such trains that have news privileges.

2—Between freight and passenger:

All passenger.

Account 134—Parcel-room Receipts:

Account 136—Storage-Baggage:

1—Between States:

Revenue from this source allocated to the state according to the location of the parcel or store room.

2—Between freight and passenger:

All passenger.

Account 135—Storage-Freight:

Account 137—Demurrage:

1—Between States:

Revenue from this source assigned to such state in which the revenue originates.

2—Between freight and passenger:

Actual freight or passenger, according to the nature of the revenue.

Account 151—Joint Facilities—Cr.:

1—Between States:

Allocated to States in accordance with the location of the facilities in connection with which the revenues accrue.

2—Between freight and passenger:

Located direct to freight or passenger as far as possible and apportioned unlocated on the basis of assigned charge to all M. of W. & S. accounts 201 to 279, inclusive, of the state.

[fol. 420] Account 152—Joint Facilities—Dr.:

1—Between States:

Allocated to states in accordance with the location of the facilities in connection with which the charges accrue.

2—Between freight and passenger:

Located direct to freight or passenger as far as possible, and apportioned unlocated on the basis of assigned charges to all M. of W. & S. accounts, 201 to 279, inclusive, of the state.

Account 532—Railway Tax Accruals, State:

1—Between States:

Localized direct to states.

2—Between freight and passenger:

Apportioned between freight and passenger on the basis of the total operating expenses as assigned between freight and passenger.

Account 532—Railway Tax Accruals, Federal:

1—Between States:

Apportioned to states on the basis of the net operating income that the state bears to the total net operating income of the entire line.

2—Between freight and passenger:

Assigned to freight and passenger on the basis of net operating income.

Account 533—Uncollectible Railway Revenue:

1—Between States:

(a) Revenue derived from state business originating at and destined to points within the state and moving wholly within the state, charged to state in which the movement occurs.

(b) Revenue derived from inter-state business in or out-bound or passing, assigned to states on a straight mileage prorate.

2—Between freight and passenger:

Actual freight or passenger.

[fol. 421] Account 503—Hire of Freight Cars—Credit Balance:

Account 536—Hire of Freight Cars—Debit Balance:

1—Between States:

Hire of freight cars allocated to states on the basis that the total freight car miles within the state bear to the total freight car miles to the entire line.

2—Between freight and passenger:

All freight.

Account 504—Rent from Locomotives:

Account 537—Rent for Locomotives:

1—Between States:

(a) Rent from or for freight or passenger locomotives in freight or passenger service, allocated to states on the basis that the freight or passenger locomotive miles within the state, bear to the total freight or passenger locomotive miles of the entire line.

(b) Rent from or for work locomotives allocated to state on the basis that the work service locomotive miles within the state, bear to the total work service locomotive miles of the entire line.

2—Between Freight and passenger:

(a) Hire of locomotives (exclusive of work locomotives) assigned direct to freight or passenger.

(b) Hire of work locomotives assigned between freight and passenger on the basis of freight and passenger locomotive miles.

Account 505—Rent from Passenger Cars:

Account 538—Rent for Passenger Cars:

1—Between States:

Hire of passenger cars allocated to states on the basis that the total passenger car miles within the state, bear to the total passenger car miles of the entire line.

2—Between freight and passenger:

All passenger.

[fol. 422] Account 507—Rent from Work Equipment:

Account 540—Rent for Work Equipment:

1—Between States:

Hire of work equipment allocated to states on the basis that the work service train miles within the state, bear to the total work service train miles of the entire line.

2—Between freight and passenger:

Hire of work equipment assigned between freight and passenger on the basis of M. of W. & S. expenses.

Account 508—Joint Facility Rent Income:

Account 541—Joint Facility Rents:

1—Between States:

Localized direct to states, except bridges which run from one state to another; split 50% to each.

2—Between freight and passenger:

Localized actual to freight or passenger as far as possible; balance or common items apportioned between freight and passenger on the basis of M. of W. & S. accounts.

Account 509—Income from Lease of Road:

Account 542—Rent for Leased Road:

1—Between States:

Allocated to states in accordance with the location of the road leased; if road runs from one state into another, apportioned on the basis of miles of such road in each state.

2—Between freight and passenger:

Apportioned between freight and passenger on the basis of the total operating expenses as assigned between freight and passenger.

Account 510—Miscellaneous Rent Income:

Account 543—Miscellaneous Rents:

1—Between States:

Localized direct to states.

2—Between freight and passenger:

Localized direct to freight and passenger as far as possible; balance or common items apportioned on basis of M. of W. & S. accounts as assigned between freight and passenger.

[fol. 423] Account 511—Miscellaneous Non-operating Physical Property:

Between States:

Localized direct to states.

Account 512—Separately Operated Properties—Profit:

Account 545—Separately Operated Properties—Loss:

Between States:

Apportioned to states on the basis that the operated miles within the states, bear to the total operated miles of the entire line.

Account 513—Dividend Income:

Between States:

Apportioned to states on the basis that the total revenue train miles within the state, bear to the total revenue train miles of the entire line.

Account 514—Income from Funded Securities:

Between States:

(a) Income from constituent companies apportioned to states on the basis that the operated miles within the state, bear to the total operated miles of the entire line.

(b) Income from other funded securities apportioned to states on the basis that the total revenue train miles within the state, bear to the total revenue train miles of the entire line.

Account 515—Income from Unfunded Securities and Accounts:

Between States:

Apportioned to states on the basis that the total revenue train miles within the state, bear to the total revenue train miles of the entire line.

Account 519—Miscellaneous Income:

Between States:

Items localized as far as possible; unlocated items apportioned to state on the basis that operated miles within the state bear to the operated miles of the entire line.

Account 544—Miscellaneous Tax Accruals:

Between States:

Localized direct to states.

[fol. 424] Account 546—Interest on Funded Debt:

Between States:

(a) Interest on mortgages localized to states as far as possible; on mortgages covering road in two or more states, the interest is apportioned to states on the basis that the 1st, 2nd and 3rd lien mileage bears to the total 1st, 2nd and 3rd lien mileage covered by such mortgage.

(b) Interest on equipment notes and other miscellaneous obligations apportioned to the state on the basis that the operated miles, including other main track within the state, bear to the total operated miles, including other main track, of the entire line.

UNITED STATES RAILROAD ADMINISTRATION
WASHINGTON, D. C. 20540 & PACIFIC RAILROAD

Accounting Department
Office of Auditor Miscellaneous
Circular No. 572
Supervising Circular No. 847

Chicago, February 2nd, 1930.

Re All memoranda
Whereas January 1, 1930, the following personnel are employed in assigned Operating Expenses to divisions and states, and to freight and passenger traffic, the Operating Expense amount numbers being those prescribed by the Interstate Commerce Commission effective July 1, 1928,

Approved: *[Signature]*
Federal Auditor

[Signature]
Auditor Miscellaneous

Acct. No.	Designation of Account	Basis of Assignment to Divisions and States	Basis of Assignment to Freight and Passenger Traffic
221	Maintenance of Way & Structures Salaries and expenses of general foremen, section foremen, engineers, their clerks and others common to the entire line	Charges common to accounts 201 and 371 and to 381, 382 and 371 are divided equally between such accounts. The proportion charged to account 201 is assigned to divisions and states on the basis of the single main track mileage (each mile of double track to be counted as two miles) of each division or state.	Common expenses apportioned according to proportion of accounts 202 to 271, inclusive, excluding common expenses to accounts 227-228 and 287-288.
	Salaries and expenses of general foremen, section foremen, engineers, their clerks and others common to a district	Charges common to accounts 201 and 371 and to 381, 382 and 371 are divided equally between such accounts. The proportion charged to account 201 is assigned to divisions and states on the basis of the single main track mileage (each mile of double track to be counted as two miles) of each division or state.	Ditto
	Salaries and expenses of superintendents, division engineers, their clerks and others common to a division	Charges common to accounts 201 and 371 and to 381, 382 and 371 are divided equally between such accounts. The proportion charged to account 201 is assigned to states on the basis of the single main track mileage (each mile of double track to be counted as two miles) of each division or state.	Ditto
	Salaries and expenses of roadmasters and their clerks	Localized by division and states except where jurisdiction extends over more than one division or state, in which case the charges are assigned to divisions and states on the basis of the single main track mileage (each mile of double track to be counted as two miles) covered in each division or state.	Ditto
252	Roadway Structures	Localized by divisions and states	(a) Maintenance of tracks in yards where a separate switch service is maintained for exclusively passenger service (exclusive of tracks to shops, enginehouses, storehouses, and fuel and water stations) - assigned direct to passenger.
253	Underground Power Plants	Localized by divisions and states	(b) Maintenance of tracks in yards where a separate switch service is maintained for exclusively freight service (exclusive of tracks to shops, enginehouses, storehouses, and fuel and water stations) - assigned direct to freight.
254	Tunnels and Bridges	Localized by divisions and states	(c) Maintenance of tracks in yards where a separate switch service is maintained for exclusively passenger service (exclusive of tracks to shops, enginehouses, storehouses, and fuel and water stations) - assigned direct to passenger.
255	Bridges, Trestles and Culverts	Localized by divisions and states	(d) Maintenance of tracks in yards where a separate switch service is maintained for exclusively freight service (exclusive of tracks to shops, enginehouses, storehouses, and fuel and water stations) - assigned direct to freight.
256	Other Structures	Localized by divisions and states	(e) All other tracks (all road and yard tracks not covered by items (a), (b), and (c) - considered according to the proportions of passenger and freight service in each yard).
257	Station and Office Buildings	Localized by divisions and states	Common expenses apportioned according to proportions of accounts 202 to 271, excluding common expenses in accounts 227-228 and 287-288.
258	Roadway Buildings	Localized by divisions and states	Common expenses apportioned according to proportions of accounts 202-226.
259	Yard Stations	Localized by divisions and states	Actual as far as possible; remainder prorated to freight and passenger on proportions in Accounts 382 and 371 combined.
260	Fuel Stations	Localized by divisions and states	Ditto

NOTE: - All charges to Operating Expenses are allocated actual to freight and passenger traffic as far as practicable, and the items not so allocated that is, "Common" expenses, are apportioned on the basis indicated.

Acct. No.	Designation of Account	Basis of Assignment to Divisions and States	Basis of Assignment to Freight and Passenger Traffic (see note)
215	MAINTENANCE OF WAY & STRUCTURES - (Continued): Shops and Enginehouses	Localized by divisions and states	Common expenses of shops, apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.
217	Overin Bleachers	Ditto	All freight.
219	Storage Tankers	Ditto	All freight.
221	Warehouses and Tanks	Ditto	All freight.
227	Telegraph and Telephone Lines	Same as account No. 227, Station and Office Buildings	Common expenses apportioned according to proportions of accounts 202, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.
229	Signals and Interlocutors	Localized by divisions and states	Common expenses apportioned according to proportions of accounts 202 to 226.
233	Power Plant Buildings	Localized by divisions and states	Common expenses apportioned according to proportions of accounts 202 to 226.
235	Power Substation Buildings	Ditto	Ditto
237	Power Transmission Systems	Ditto	Ditto
239	Power Distribution Systems	Ditto	Ditto
245	Miscellaneous Structures	Ditto	Ditto
267	Paving	Same as account No. 227, Station and Office Buildings	Common expenses apportioned according to proportions of accounts 202 to 226.
269	Rolling Machines	Same as account No. 227, Station and Office Buildings	Common expenses apportioned according to proportions of accounts 202 to 226.
271	Small Tools and Supplies	Localized by divisions and states	Ditto
272	Removing Snow, Ice and Sand	Same as account No. 227, Station and Office Buildings	Ditto
273	Assessments for Public Improvements	Ditto	Ditto
274	Injuries to Persons	Localized by divisions and states	Ditto
275	Insurance	Same as account No. 227, Station and Office Buildings	Common expenses apportioned according to proportions of accounts 202 to 226.
276	Stationery and Printing	Ditto	Ditto
277	Other Expenses	Ditto	Ditto
278	Maintaining Joint Tracks, Ties and Other Facilities - Cr.	Localized by divisions and states	Ditto
279	MAINTENANCE OF EQUIPMENT	Ditto	Ditto
281	Superintendence	Charge common to accounts 201, 301 and 371 and to 301 and 371, are divided equally among such accounts. The proportion charged to account 301 is assigned to divisions and states on the basis of the combined charges to the "positive" accounts, Nos. 301, 311, 317, 320, and 326	Common expenses apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.
302	Shop Machinery	Assigned to divisions and states on the basis of the combined charges to the "negative" accounts Nos. 301, 311, 317, 320, and 326	Common expenses apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.
324	Power Plant Machinery	Localized by divisions and states, except proportion for Shop power which is assigned to divisions and states on the same basis as account No. 302, Shop Machinery	Common expenses apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.
326	Power Distribution Apparatus	Assigned to divisions and states on the basis of the combined charges to the "negative" accounts Nos. 301, 311, 317, 320, and 326	Common expenses apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.
328	Power Locomotives - Negative	Assigned to divisions and states on the basis of the combined charges to the "negative" accounts Nos. 301, 311, 317, 320, and 326	Common expenses apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.
329	Power Locomotives - Depreciation	Assigned to divisions and states on the basis of the combined charges to the "negative" accounts Nos. 301, 311, 317, 320, and 326	Common expenses apportioned according to proportions of accounts 201, 311, 314, 317, 320, 323, and 326; of enginehouses according to proportions of accounts 346 and 350.

Note: All charges to Operating Expenses are allocated actual to freight and passenger traffic as far as practicable and the time and tonnage available for the common expenses are apportioned on the basis indicated.

Formulas - Continued

Acct. No.	Designation of Account	Basis of Assignment to Divisions and States	Basis of Assignment to Freight and Passenger Traffic (See Note)
310	MAINTENANCE OF EQUIPMENT (Continued) Steam locomotives - Repairs	Same as account No. 308, Steam Locomotive - Repairs	Assigned directly, as far as practicable, to the unassigned remainder apportioned according to the proportions of account 308.
316	Freight Train Cars - Repairs	Accident repairs localized by divisions and states, when possible. Balance assigned to divisions and states on the basis of the total freight car mileage of each division or state.	All freight.
315	Freight Train Cars - Depreciation	Assigned to divisions and states on the basis of the total freight car mileage of each division or state.	Ditto
316	Freight Train Cars - Retirements	Same as account No. 311, Freight train cars - Retirements	Ditto
317	Passenger Train Cars - Repairs	Accident repairs localized by divisions and states, when possible. Car repairs to dining cars assigned to divisions and states on basis of mileage of such cars. Dining and buffet equipment in dining cars and buffet cars assigned to divisions and states on basis of mileage of dining cars and buffet cars. Balance assigned to divisions and states on the basis of the total passenger car mileage of each division or state.	All passenger
318	Passenger Train Cars - Depreciation	Assigned to divisions and states on the basis of the total passenger car mileage of each division or state.	Ditto
319	Passenger Train Cars - Retirements	Same as account No. 317, Passenger train cars - Retirements	Ditto
320	Motor Equipment of Cars - Repairs	Accident repairs localized by divisions and states, when possible. Balance assigned to divisions and states on the basis of the total motor car mileage of each division or state.	Ditto
321	Motor Equipment of Cars - Depreciation	Assigned to divisions and states on the basis of the total motor car mileage of each division or state.	Ditto
322	Motor Equipment of Cars - Retirements	Same as account No. 320, Motor car equipment - Retirements	Ditto
323	Floating Equipment - Repairs	All Arkansas division, No Arkansas and Tennessee equally	Ditto
324	Planting Equipment - Depreciation	Accident repairs localized by divisions and states, when possible. Balance assigned to divisions and states on the basis of the work car mileage of each division or state.	Common expenses apportioned according to proportions of accounts 322 to 324, setting common expenses in accounts 322-224.
325	Planting Equipment - Retirements	Assigned to divisions and states on the basis of the work car mileage of each division or state.	Ditto
326	Work Equipment - Repairs	Same as account No. 325, Shop machinery - repairs	Ditto
327	Work Equipment - Depreciation	Same as account No. 326, Work machinery - depreciation	Ditto
328	Work Equipment - Retirements	On equipment assigned by classes to divisions and states on basis of the mileage by classes of equipment in each division or state; balance same as account No. 327 Shop machinery	Ditto
329	Miscellaneous Equipment	Same as account No. 328, Shop machinery	Ditto
332	Injuries to Persons	Same as account No. 276, Maintenance Joint tracks, yards and other facilities	Ditto
333	Insurance	Ditto	Ditto
334	Stationery and Printing	Ditto	Ditto
335	Other Expenses	Ditto	Ditto
336	Maintenance Joint Equipment at Terminals - Dr.	Ditto	Ditto
337	Maintenance Joint Equipment at Terminals - Cr.	Ditto	Ditto
338-4	TRAFFIC EXPENSES Maintenance - passenger	Assigned to divisions and states on the basis of the total passenger train mileage of each division or state (including passenger and freight mileage on the Chicago Terminal and Kansas City Terminal divisions). Mixed train mileage apportioned between freight and passenger on the respective freight or passenger car miles in their trains of each division or state	Ditto
332-4	Outside agencies - passenger	Ditto	Ditto
333-4	Advertising - passenger	Ditto	Ditto
334-4	Traffic associations - passenger	Ditto	Ditto
335-4	Industrial and Immigration Bureau - passenger	Ditto	Ditto
336-4	Insurance - passenger	Ditto	Ditto
337-4	Stationery and Printing - passenger	Ditto	Ditto
338-4	Other expenses - passenger	Ditto	Ditto

NOTE: - All charges to Operating Expenses are allocated actual to freight and passenger traffic as far as practicable, and the items not so allocated that are "common" expenses, are apportioned on the basis indicated.

NOTE— All charges to Operating Expenses are allocated actual to freight and passenger traffic as far as practicable, and the items not so allocated that is, "Common" expenses, are apportioned on the basis indicated.

Passenger - Continued

Acct. No.	Designation of Account	Basis of Assignment to Divisions and States	Basis of Assignment to Freight and Passenger Traffic
374	TRANSPORTATION EXPENSES: (Continued): Weights, inspection and damage insurance	Assigned to divisions and states on the basis of the total freight train mileage (including a proportion of direct) of each division or state (including freight and passenger mileage on the Chicago Terminal and Kansas City Terminal divisions and between Holbert and Maupia on the Arkansas division)	All freight.
376	Station supplies and expenses	Localized by divisions and states except charges common to the entire line, which are assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Kansas City Terminal divisions and between Holbert and Maupia on the Arkansas division)	Common expenses apportioned according to percentages allocated to divide common expenses of account 371.
377	Yard masters and yard clerks	Charged to division or state, according to location of yard	Yards used for exclusively freight service, direct to freight, yards used for exclusively passenger service, direct to passenger, yards used in common for freight and passenger service, expense of each individual yard apportioned between freight and passenger on basis of freight or passenger which locomotive miles in each yard, each yard treated separately.
378	Yard conductors and brakemen	Same as account 377, except charges for transportation service between Council Bluffs and South Omaha and Albia, which are assigned to Iowa and Nebraska, and charges for switching mileage and for locomotives in such service in each state. Also accepting charge to Kansas City Terminal division, which is assigned 1/4 to Missouri and 3/4 to Kansas	Ditto
379	Yard switch and signal tenders	Same as account 377, - Yard masters and yard clerks	Ditto
380	Yard engineers	Same as account 378, - Yard conductors and brakemen	Ditto
381	Yard motormen	Ditto	Ditto
382	Fuel for yard locomotives	Ditto	Ditto
383	Water for yard locomotives	Ditto	Ditto
384	Lubricants for yard locomotives	Ditto	Ditto
385	Other supplies for yard locomotives	Ditto	Ditto
386	Enginehouse expenses - yard	Charged to division or state according to location of enginehouse	Ditto
389	Yard supplies and expenses	Same as account 378, - Yard masters and yard clerks	Ditto
390	Operating joint yards and terminals - W.	Localized by divisions and states	Treated individually and assigned direct to freight or to passenger according to use of each track or facility. Facilities used by us for both freight and passenger service treated individually and apportioned on the appropriate bases indicated for preceding accounts. Maintenance common to freight and passenger service not apportioned between freight and passenger under the instructions for the preceding primary accounts, is apportioned according to the percentages used to divide the common expenses of account 371.
391	Operating joint yards and terminals - Cr.	Ditto	Ditto
392	Train engineers: Passenger	Localized by divisions and assigned to states on the basis of the passenger road locomotive mileage (including a proportion of direct) of each division in each state.	All passenger. Proportion of mixed trains on basis of freight or passenger car miles in mixed trains of each division or state.
393	Freight	Localized by divisions and assigned to states on the basis of the freight and passenger mileage (including a proportion of direct) of each division in each state.	All freight. Proportion of mixed trains on basis of freight or passenger car miles in mixed trains of each division or state.
394	Train motormen	Localized by divisions and assigned to states on the basis of the motive car mileage of each division in each state	All passenger.
395	Fuel for train locomotives: Passenger	Same as "Train engineers - passenger"	All passenger. Proportion of mixed trains on basis of freight or passenger car miles in mixed trains of each division or state.
396	Freight	Same as "Train engineers - freight"	All freight. Proportion of mixed trains on basis of freight or passenger car miles in mixed trains of each division or state.
397	Operation fuel stations	Localized by divisions and states	On basis of the "freight" or "passenger" fuel charges of each division or state.
398	Water for train locomotives	Localized by divisions and assigned to states on the basis of the total road locomotive mileage of each division in each state	Direct to freight or to passenger, lubricants for locomotives of mixed trains first apportioned on freight or passenger car miles in mixed trains of each division or state.
399	Lubricants for train locomotives	Assigned to divisions and states on the basis of the total road locomotive mileage of each division or state	Ditto

NOTE: All charges to Operating Expenses are allocated actual to freight and passenger traffic as far as practicable, and the items not so allocated that is, "Common" expenses, are apportioned on the basis indicated.

Formulas - Continued

Acct. No.	Definition of Account	Basis of Assignment to Divisions and States	Basis of Assignment to Freight and Passenger Traffic (See Note)
399	Maintenance of equipment (continued) Clear supplies for train locomotives:	Assigned to divisions and states on the basis of the total and locomotive mileage of each division or state	Direct to freight or to passenger, supplies and expenses for locomotives for mixed trains first apportioned on freight or passenger car miles in mixed trains of each division or state.
400	Enginemen's expenses - train	Charged to divisions or states, according to location of enginemen	Apportioned on proportion number of freight, passenger, or mixed train miles (A) freight and (B) passenger miles, divided and (A+B) given proportion number. Proportion for freight or mixed trains apportioned on freight or passenger car miles in mixed trains of each division or state.
401	Trainmen	Assigned by divisions and assigned to states on the basis of the passenger train mileage (including a proportion of mixed) of each division in each state	All passenger, proportion to mixed trains on basis of freight or passenger car miles in mixed trains or exp. division or state.
402	Passenger train supplies and expenses - local expenditures	Assigned to divisions and states on the basis of the total passenger car mileage of each division or state	All freight, proportion of mixed trains on basis of freight or passenger car miles in mixed trains or state.
403	Passenger train supplies and expenses - local expenditures	Assigned by divisions and assigned to states on the basis of the passenger train mileage (including a proportion of mixed) of each division in each state except fuel, lubricants and supplies for motor equipment of cars, which are assigned to states on the basis of the motor car mileage of each division in each state	All passenger
404	Carriage service to other lines	Assigned to divisions on the basis of the total passenger train mileage (including a proportion of mixed) of each division (including passenger train mileage on the Chicago Terminal Division and passenger train mileage of each division in each state	All freight
405	Care of freight cars	Assigned to divisions and states on the basis of the total freight car mileage of each division or state	All freight
406	Freight train supplies and expenses - local expenditures	Assigned by divisions and assigned to states on the basis of the freight train mileage (including a proportion of mixed) of each division in each state	All freight
407	Charges for grain elevators, credits for tanks, etc.	All freight	All freight
408	Signal and telegraph operation	Located by divisions and states	All freight
409	Crewing operation	Located by divisions and states when possible. If operating a crew, operating two states, charge divided equally	All freight
410	Brakebrake operation	Located by divisions and states except charges to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Union City Terminal divisions and between and through the Atlantic division)	All freight
411	Signal and telegraph operation	Located by divisions and states when possible. If operating a crew, operating two states, charge divided equally	All freight
412	Operating floating equipment	Assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Union City Terminal divisions and between and through the Atlantic division)	All freight
413	Fuel for floating equipment	Assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Union City Terminal divisions and between and through the Atlantic division)	All freight
414	Stationery and printing	Assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Union City Terminal divisions and between and through the Atlantic division)	All freight
415	Other expenses	Assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Union City Terminal divisions and between and through the Atlantic division)	All freight
416	Operating joint tracks and facilities - Fr.	Assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Union City Terminal divisions and between and through the Atlantic division)	All freight

Notes - All charges to operating expenses are allocated actual to freight and passenger traffic as far as practicable and the items set as allocated that is, "Common" expenses, are apportioned on the basis indicated.

Premises - Continued

Acct. No.	Description of Account	Base of Assignment to Divisions and States	Basic of Assignment Freight and Passenger Traffic (See Note)
TRANSPORTATION EXPENSES:			
415	Operating Joint Tracks and Facilities - Cr.	Same as account No. 279 - Maintaining Joint Tracks, yards and other facilities	Same as account 412.
415	Insurance	On cotton at compress and concentration points localized by divisions and states on freight (including cotton) in transit assigned to divisions and states on loaded car mileage balance same as account No. 227, - Station and Office buildings	Common expenses apportioned according to percentages used to divide common expenses of account 371.
415	Clearing wrecks	Localized by divisions and states	Direct as far as practicable according to service in which wreck occurred. Mixed trains apportioned on respective freight or passenger mileage in mixed trains of each division or state. Remainder apportioned on proportions to account 371 - Superintendence.
416	Damage to property	Localized by divisions and states, except automobiles and expenses common to the entire line, which are assigned to divisions and states on the basis of the loaded charges of each division or state	Direct as far as practicable according to service in which damage or injury occurred. Mixed trains apportioned on respective freight or passenger mileage in mixed trains of each division or state. Remainder apportioned on proportions to account 371 - Superintendence.
417	Damage to live stock on right of way ..	Localized by divisions and states when possible. Unlocated items assigned to divisions and states on the basis of the loaded charges. From July 1, 1911, to March 31, 1912, and from Sept. 1, 1912 to Dec. 31, 1913, the unlocated items are assigned to divisions and states on basis prescribed by the rules of the Freight Claims Association	Ditto
418	Loss and damage - freight	Same as account No. 416, - Damage to Property ..	All freight.
419	Loss and damage - baggage	Ditto	All passenger.
420	Injuries to persons	Ditto	Ditto
REGULATIONS OF RAILROADS:			
431	Mining and buffet service	Assigned expenses of individual cars to divisions and states on the basis of mileage of individual findings, safe and buffet cars while in service	Direct as far as practicable according to service in which damage or injury occurred. Mixed trains apportioned on respective freight or passenger mileage in mixed trains of each division or state. Remainder apportioned on proportions to account 371 - Superintendence.
432	Hotels and Restaurants	Localized by divisions and states	All passenger.
433	Grain Elevators	Ditto	Ditto
434	Stockyards	Ditto	All freight.
435	Other Miscellaneous Operations	Ditto	Ditto
OFFICERS:			
436	Salaries and expenses of general officers	Assigned to divisions and states on the basis of the total transportation train mileage of each division or state (including switching mileage on the Chicago Terminal and Kansas City Terminal divisions and between Milbert and Memphis on the Arkansas division	Actual as far as possible; balance on proportions in account No. 371 - Superintendence.
437	Salaries and expenses of clerks and attendants	Ditto	Assigned directly, as far as practicable, and remainder apportioned according to proportions of accounts 201 to 416.
438	General office supplies and expenses ..	Ditto	Ditto
439	Law expenses	Ditto	Ditto
440	Insurance	Ditto	Ditto
441	Chief department - expenses	Ditto	Ditto
442	Pensions	Ditto	Ditto
443	Stationery and Printing	Ditto	Ditto
444	Valuation expenses	Ditto	Ditto
445	Other expenses	Federal and state valuation expenses localized by divisions and states; supervision assigned on basis of loaded expenses	Ditto
446	General Joint Facilities - Dr.	Same as account No. 431 - Salaries and Expenses of General Officers	Ditto
447	General Joint Facilities - Cr.	Localized by divisions and states	Ditto

NOTE - All charges to Operating Expenses are allocated actual to freight and passenger traffic as far as practicable and the items not so allocated that is, "Common" expenses, are apportioned on the bases indicated.

Sheet No.	Designation of Account	Basis of Assignment to Divisions and Stages	Basis of Assignment to Freight and Passenger Traffic (See note)
VIII	TRANSPORTATION FOR INVESTMENT - CR. Freight Passenger	Allocated to divisions of stages according to the point where work was performed. Ditto	All freight. All passenger.
NOTE: When specified a factor in the division of any of the foregoing accounts (from 201 to No. 1 inclusive), freight locomotive mileage includes train working locomotive mileage. Train working locomotive mileage is not included in freight locomotive mileage used in the division of expenses for paid accounts, Nos. 37 to 39a inclusive. In cases of assignment to Divisions and Stages for all accounts having a fixed train service, the proportion account fixed trains is determined on the basis of freight or passenger car-miles in fixed trains of each division.			

NOTE: All charges for Operating Expenses are allocated except the freight and passenger traffic as far as practicable and the same are so allocated that the "Car on" expenses are apportioned on the basis indicated.

Account 547—Interest on Unfunded Debt:

Between States:

Apportioned to states on the basis that the total operated miles (including other main track) within the state, bear to the total operated miles (including other main track), of the entire line.

Account 551—Miscellaneous Income Charges:

Between States:

(a) Dividends guaranteed on B. C. R. & N. Ry. Co. and R. I. & P. Ry. Co. stock apportioned to state on the basis that the mileage in each state bears to the total mileage of the respective roads.

(b) Normal income tax and other miscellaneous items, apportioned to states on the basis that the operated miles, (including other main track) bear to the total operated miles, (including other main track) of the entire line.

(Here follows reproduction of U. S. R. R. Administration Circular No. 591, marked side folio pages 425-432, inc.)

[fol. 433]

(Copy)

BEFORE THE EXECUTIVE COUNCIL OF THE STATE OF IOWA

In the Matter of Fixing Valuation for Assessment Purposes of THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY

EVIDENCE: COMPLAINANT'S EXHIBIT "12"

Hearing Held Tuesday, July 11, 1922

Arguments of Mr. J. G. Gamble, Attorney for Iowa (Page 1); Mr. W. F. Peter, Assistant General Counsel (Page 13).

Reported by Frank C. Walrath, Certified Shorthand Reporter, 417 Court House, Des Moines, Iowa.

[fol. 434] The Chicago, Rock Island & Pacific Railway Co.

J. G. Gamble, Attorney for Iowa, C. R. I. & P. Ry. Co.

W. F. Peter, Assistant General Counsel, C. R. I. & P. Ry. Co.

Governor Kendall: You may proceed, gentlemen.

Mr. Gamble: I would like to hand to each of you two exhibits. From these exhibits we have undertaken to bring to you certain in-

formation that we think will be of some help to you in arriving at the decision of the ultimate question with which you are confronted so far as the Rock Island road is concerned. I know that you have heard, not only know, but on previous occasions, various theories as to the method which should be employed in arriving at a value for taxation purposes of railroad property. I know that there has been emphasized the distinctions growing out of the character of the property and the fact that it is not ordinarily dealt with in any market so as to place it in a sense in a class differing from that of property generally, when you come to arrive at the ultimate value which you will place upon it in this proceedings and I do not intend to inflict upon you any theories of that kind. So far as what I shall say to you is concerned, it is limited very largely to presenting first certain bases which you may properly employ we think in arriving at the figure of the actual value of this property and then I want to undertake, if I may to show you why the assessment of this property as it has been made, results in a discrimination as against this particular company.

There are seven bases for computing value presented by these two exhibits. The first is the basis of the par value of the stocks and bonds of the company. That I know was explained to you last year as affording an index to the value of the property in so far as it was available. The total amount of the stocks and bonds of the Company outstanding in each of the five years from 1917 to 1921, inclusive, is shown upon the first line of exhibit Number 1. That amount is apportioned to the State of Iowa upon six different bases. The first basis is railway operating revenue and railway operating revenue, as used in this exhibit, is as defined by the Interstate Commerce Commission, in its classification of revenue, and includes all revenues from transportation, freight, passenger, mail, express, etc., all incidental revenues, dining car, restaurant, demurrage, telegraph, rents from buildings, all revenues from facilities jointly operated with other railroads. The ratio of railway operating revenues in the State of Iowa is 24.21% in 1917, 23.70 in 1918, 24.29% in 1919, 23.41% in 1920, and 22.82% in 1921. Applying these ratios to the total amount of stocks and bonds par value of the company, the average for the five years is \$81,386,366.00. That is, to restate the purposes of the exhibit, a showing of the apportionment of the total amount of par value of the stocks and bonds to the State of Iowa based on the relative apportionment of the total railway operating revenue in the State of Iowa.

The next basis of apportionment which we have employed is net revenue from railway operations. That means that it is the net revenue from railway operations as defined by the Interstate Commerce Commission classification and is arrived at by adding to railway operating expenses certain non-operating income items consisting of rents received from other lines for the use of the Rock Island equipment and facilities which the Rock Island permits other lines to use jointly with it and deducting therefrom the amount paid by the Rock Island to other lines for similar equipment rental and rental paid by us for use of general facilities; also deducting operat-

ing expenses, consisting of the total sum expended in maintaining the part of the property used for common carrier purposes and also deducting the railway tax accruals and uncollectible railway revenue. Upon the basis of apportionment to the State of Iowa of the total amount of par value of stocks and bonds on the basis of net revenue from railway operations earned in the State apportioned to the State as comparable to the whole, there is an average for the five years of \$31,077,622.00 of the total amount par value of the stocks and bonds. That is brought about, as you will observe, in the year 1920, by an actual deficit in the net revenue from railway operations and in the other years of very slight comparative figures for the State [fol. 436] of Iowa upon such net revenue from railway operations. As to that phase and as to the causes for that condition, Mr. Peter will talk to you very shortly.

The next basis of apportionment is upon the miles of road operated, and by that term we mean miles of line operated as defined in the instructions given by the Interstate Commerce Commission in its form for making annual reports required by the Inter-State Commerce Commission, and it includes miles of main track operated whether our own lines or from other railroad companies or as branch roads. Upon that basis the apportionment there is assigned to the State of Iowa on the total par value of stocks and bonds for an average of five years \$101,237,580.00.

The next basis of apportionment is miles of all track owned and leased which includes all tracks of whatever description owned and leased by the railroad company, main tracks, yard tracks, sidings, industrial tracks, etc., and upon that basis of apportionment to the State of the total amount of the par value of the stocks and bonds on the ratio of the miles of all track operated in the State as compared with the system at large, there would be assigned to the State of Iowa of the total par value, of stocks and bonds, on the average for five years \$97,945,276.00.

The next basis is that of transportation train miles. It is a term defined by the Interstate Commerce Commission classification of mileage and includes the aggregate mileage made by all trains engaged in the transportation for revenue purposes and excludes mileage of trains engaged exclusively in work service. Upon that apportionment, employing that basis, there is assigned of the total value of stocks and bonds, par value, to the State of Iowa on the average for five years \$94,478,531.00.

The last basis that is used in this exhibit 1 is that of traffic units which are arrived at by taking the passengers one mile and freight one mile and upon that apportionment to the State of Iowa of this same par value of the stocks and bonds, on that basis there is assigned \$81,921,298.00.

[fol. 437] The average of the apportionment to the State of all of these six bases of the par value of stocks and bonds of the Company on the average for five years is \$81,341,112.00.

Now speaking very briefly with respect to exhibit Number 2. There is undertaken to be shown by exhibit number 2 the market value of the stocks and bonds of the railway which is arrived at by taking the market value of the stocks and bonds for each year from

1917 to 1921 inclusive, the average for the five-year period amounting to \$218,351,703.00. This market value of stocks and bonds was ascertained from reports of market prices contained in current issues in the monthly statements of the Commercial & Financial Chronicle which is a financial magazine regularly published each week in New York City with prices quoted in each issue and we took the prices for the Chicago, Rock Island & Pacific Railway on the New York Stock Exchange, taking the highest price and lowest price for each month during each of the years 1917 to 1921 inclusive, and then the prices were averaged by adding and dividing by twenty-four. This was done in each of the various issues of stocks and bonds except where a particular issue was not listed for one or more months and the average was obtained by using one of these months in which transactions were reported, except on an issue such as the Little Rock Bridge Bond was figured at par, owing to the lack of any market data.

Utilizing then the market value of the stocks and bonds of the company, the par value of which is treated in Exhibit number 1, and apportioning that market value to the State upon the same bases, the same six bases, as employed with respect to exhibit number 1, we have for an average of the apportionment of the six bases for a period of five years from 1917 to 1921, an assignment to the State of Iowa of \$51,648,183.00 as representing that portion of the market value of the stocks and bonds of the company on the average during those years.

Exhibit number 3 is compiled upon a capitalization of net railway operating income during each of the years 1917 to 1921, inclusive [fol. 438] which when so capitalized is apportioned to the State of Iowa by employing the same six bases explained to some extent with respect to exhibit Number 1. Upon the average for a period of five years and on the average of the apportionment on the several bases referred to of the capitalized net income at six per cent, there is assigned to the State of Iowa \$38,397,025.00 for that period. Exhibit Number 4 is identical with exhibit number 3, except that the net railway operating income is capitalized at seven per cent, and the average amount of that capitalized net income assigned to the State of Iowa on the average of the several six bases for the period of five years is \$32,911,735.00.

Exhibit Number 5 is compiled by a capitalization at the rate of six per cent per annum of the rental paid by the Government during the Federal control and Guaranty period under the Federal Control Act and the Transportation Act for the years 1918, 1919 and 1920 apportioned to the State of Iowa on the same six several bases and the average of these bases for the three-year period is \$56,936,734.00.

I want to call your attention particularly to exhibit Number 1. There has been a good deal said at hearings heretofore and elsewhere concerning claims which this carrier and others made before the Interstate Commerce Commission and which was reflected in their decision known as Ex Parte 74. There have been, I think, some statements made with respect to the claims of the carriers that are not applicable to the claim of this particular carrier. The claim which was made to the Interstate Commerce Commission and which was

used in connection with Ex Parte 74 by the Rock Island was simply the property investment account as disclosed by the books of the Rock Island at October 31st, 1919, and that figure for the System at large was \$392,426,763.00. Included in the property investment account were certain items that were properly chargeable to the Chicago, Rock Island and Gulf Railway which is located wholly within the State of Texas, and deducting that amount because no [fol. 439] part of the property of the Chicago, Rock Island and Gulf Railway has been included in any of the other exhibits which have been brought here, and because it is legally a separate entity, the property investment account of the company which was the basis of the claim in Ex Parte 74 was \$374,308,331.00. Apportioning that property investment account, first deducting 8.15% reduction which the Commission applied to all lines in Western districts, to the State of Iowa upon the composite of locomotive miles, freight train car miles, passenger train car miles, motor car miles, freight and passenger car miles combined and total equipment value as assigned there is assignable to the State of Iowa, \$86,921,578.00.

Now no one knows what was the value on a given day of a piece of property like the Rock Island in the State of Iowa as a part of this system is, but the Rock Island has insisted at least since the hearing which we had before you a year ago and in the recent litigation *in* was insisted, you will observe, that the real value of the property of the Rock Island was substantially 90 million of dollars. That is for the purpose of taxation. One step. There is no inconsistency in the position which the Rock Island had taken with respect to this matter and anyone who will take the trouble to examine the records in the case which we have just adjusted as well as the report of the Rock Island to the Interstate Commerce Commission in Ex Parte 74, will find that statement verified in full.

Now passing that for a moment and taking the average of these six bases over the average period of five years which is adopted in order to avoid the possible fluctuations from year to year which ought not fairly to influence one way or the other the ultimate determination of a question such as you have here. The average value determined from the employment of these six bases on that average period assignable to the State of Iowa is \$57,876,061.00.

In addition to these six bases I call your attention to exhibit Number 8. In the case of this carrier some more progress has been made by the Interstate Commerce Commission toward an ultimate valuation of its property than is true with respect to others, at least others in [fol. 440] Iowa. The Commission has returned a tentative valuation as of June 30th, 1915. To that tentative value has been added in this exhibit number 8, the accruals, additions and betterments made from June 30th, 1915, to December 31st, 1921, and from that amount a deduction for depreciation upon the average basis employed by the Inter-State Commerce Commission Valuation Bureau. The most of the items which enter into the valuation placed upon this property by the tentative report of the Interstate Commerce Commission Bureau is directly allocated to the State of Iowa. It does not involve so far as roadway and structures which aggregate \$61,577,877.00 nor lands aggregating \$11,417,355.00 any question of ap-

portionment. With respect to equipment that has been valued on the system as a whole and apportioned amongst the several States because the equipment is not localized in any particular State. You will find, as disclosed by exhibit number 8 that the total reproduction cost with additions and betterments added since June 30th, 1915, less depreciation as of December 31st, 1921, assignable to the State of Iowa and of the property in the State of Iowa, and of the equipment of the company as a whole apportioned to the State of Iowa upon a basis we think you cannot successfully attack, that the value on that basis of reproduction at that time is \$94,381,253.00. I do not wish you to understand by what I have said that it is the claim of the Rock Island that the measure of the cost of reproducing its property determined with accuracy and completely by a disinterested Board or Body that that data is the measure of its value for taxation purposes because I think there has been called to your attention the numerous decisions by our own courts and the United States Supreme Court where the distinction between value and reproduction cost is emphasized. A particular thing may cost so much and yet from a [fol. 441] value standpoint unless it earns, may be worth less than it cost. So that, in this instance then, the actual determination of the value of the reproduction cost of this property in the State, which is 94 million dollars as disclosed by this report to the Interstate Commerce Commission itself, used as a factor in determining the actual value of the property as of a given date must be in consideration of the earning capacity of that particular property at that time. Mr. Peter will address you with respect to that to some extent. What I want to make clear if I can, is that even upon the basis of the property investment account which was used as an expedient at the time of the call from the Interstate Commerce Commission in connection with Ex Parte 74, that upon the basis of the actual reproduction cost with additions and betterments, and allowing a rate of depreciation applied by the Interstate Commerce Commission the ultimate which you could possibly reach as the value of this property in the first instance and in your first step is \$94,381,252.00. Now suppose we take that just for the purpose of the argument, so that there may be no claim of inconsistency in so far as the presentation of this case is concerned and suppose we just assume for the purposes of this argument, that \$94,381,252.00 does represent the actual cost of reproducing this property in its condition on the last day of last year or the first day of this year. That is not the only thing it is your duty to determine. I know you recognize that. Having determined that fact you take the next step with respect to the determination of what is a proper valuation to place upon this property for taxation in this jurisdiction for this year. Now in order to determine that fact you must take into consideration other property that is in this state, other property that has come under your jurisdiction, and that is charged [fol. 442] with a proportion of the tax burden of this State. You know, of course, a good deal about the assessment of farm lands in Iowa. It took some time, a month or more to take the evidence of citizens of this State with respect to that subject. Having taken so much time with a Commission practically equipped to take that evidence, it would be more than futile for me to undertake to go into de-

tails on the question of the value of farm lands and the relative assessment of farm lands in this very brief hearing. But if you have made or if you make any investigation along that line even in the records of your own council through the past years and particularly if you consult the testimony which was adduced in the hearing which we have recently had, you will observe that upon the very lowest basis employing the lowest estimates that the witnesses, some 400 in number, gave of the value of the lands in the State of Iowa, it was \$122 and some cents an acre. Yet the assessment which is operative this year is \$76 an acre. Taking these matters of fact it is fair to say that the lands, the great bulk of the property of this State is really assessed for taxation purposes at an assessed value of 60% only, and that is liberal, of the actual value of those lands. Now if you undertake to treat the property of this carrier, of this Company, upon a comparable basis of assessment with that employed on these lands over the State generally, then utilizing this extreme figure of physical valuation, disregarding for a moment the question of whether that physical valuation earns something like an adequate return you have \$36,628,751.00, and that is against an assessment on this property of \$68,272,384.00 for the last year. Sixty per cent of the total reproduction cost with additions and betterments less depreciation is \$56,628,751.00 and the assessment \$68,272,384.00. If you take the total amount claimed from the property investment account in connection with the Ex Parte 74 and as disclosed by exhibit [fol. 443] number 6, and apply to that figure \$86,021,578.00 an equalizing factor and bring it in an equality comparative with this great bulk of property. In this State then the assessment of the property of this carrier should be \$51,612,946.00.

With the further explanation that may be made to you concerning the effect of the actual operations of this property and the earnings of this property as a whole, and explanation of these exhibits so far as they need explaining I believe that you have from the exhibits presented and from the information which is certainly available to you, the factors which will enable you to make a fair valuation of this property and I believe if you will give it the consideration that it really deserves considering the relative assessment of the other property that I have referred to, that you will find as an ultimate figure that I have suggested of \$56,628,751.00 as being the real outside limit of what this assessment should be as against this company.

I want to say just one thing more, and then I am through. We have settled our lawsuit and we are glad it is settled. We don't want litigation with the State or with the State's representatives. We don't want it now. What I am saying to you is in no sense and I hope you will believe me when I say it, not in any sense a threat at all. We felt when we entered into litigation before that we had to do it. We still feel the same way. We want you to take these factors and these figures and give to them in the light of the information which you now have, the earnest thoughtful consideration that I know you will and when you do that I do not feel we will have any occasion for any controversy with the State.

I thank you.

[fol. 444] Mr. W. F. Peter: Gentlemen, a year ago I appeared before this body and a part of the remarks that I made were addressed to the proposition of what value is as respects this possible species of property, railway property, the value of which cannot be tested in the ordinary methods, the ordinary method of course being sale on the open market. I filed at that time and I believe it is possibly among the records of the council a three or four page typewritten memorandum which was made up of extracts from decisions of the Supreme Court of the United States on that subject because naturally a subject of that importance is bound to get to that tribunal sometime, and it did get to them in two leading cases from Indiana and two from Ohio. Of course there are others but those are the leading cases and I don't know of anything that is more binding upon all of us than a decision of the Supreme Court of the United States, upon us as citizens and tax-payers and upon you gentlemen because as part of your oath of office you said you would support the Constitution of the United States and the laws of the United States. The Supreme Court has never wavered from the proposition that the value of any property depends upon its earnings. You do not have to find the value of a business in that way, the value of the ordinary piece of property because men translate that property into action when they buy and sell a species of property. It is not what a thing costs. The merchants of this town know at the end of a season that if they carry over merchandise to the next year it will go out of style and what that merchandise costs has not the least thing to do with its value, what they can get for it, and that is why they have these sales and get rid of it before they have to take a bigger loss. Apply that to the concrete property under consideration, take the case of the Rock Island for example, right in this state, it is the best illustration of the principle of cost and value in the course of trade. Take the case of the main line between here and Council Bluffs and con-[fol. 445] trast that with one of the branch lines, take the first I have on my list, for example, the Atlantic & Audubon. There may be on the main line a certain trestle, a certain fill made of earth, an excavation or earth embankment and you may find the equivalent yardage on this branch line. The money that has gone into these things can never come out again. That is fixed physical capital for all times. Yet you gentlemen know as men of experience in business matters and of common sense that the Atlantic & Audubon line is not worth anything to compare with what the main line is worth for the simple reason that the traffic is so thin it hardly pays operating expenses. The fact is on that line it does not even do that. You have a railroad composed of various elements, ties, rails, earth embankments, ballast, etc., and whether that has any value would depend on the amount of traffic that goes over it. If it is a large road like the New York Central main line why, of course, it has great value, and if the Atlantic & Audubon, it has not much of any value. You can't sell it. Your stuff is there for all time; it can't be reclaimed. Now right in that connection it is worthy of note that the Rock Island having 2,202 miles and a fraction in the State of Iowa has of that amount only 1,363 plus miles of main line, and in mak-

ing that classification of main line I have involved the line known as the Keokuk & Des Moines which really ought to be classified as a branch line; 162 miles plus, but in order to be entirely fair about this matter I put that in as a main line. 1,363 miles plus and I ask leave to file this statement, which I just had time to make one copy of, with the reporter, and have it incorporated as a part of my remarks. May that be done?

Governor Kendall: Certainly.

[fol. 446]

Main Line

Davenport to Council Bluffs.....	318.37
Davenport to Lineville.....	192.59
Burlington to State Line.....	228.68
Iowa Falls to State Line.....	278.82
Kansas City Short Line.....	182.815
Keokuk & Des Moines.....	162.32

1,363.595 miles.

I have one or two other statements which I beg leave to file similarly. One is the Branch Line Mileage in this State which is approximately 839 miles.

Branch Lines

Newton to Monnon.....	17.02
Menlo to Guthrie Center.....	14.51
Atlantic to Audubon.....	25.23
Atlantic to Griswold.....	14.24
Harlan Branch.....	11.89
Carson Branch.....	17.73
Wilton Branch.....	11.97
Waverly Branch.....	55.68
Linn to Postville.....	94.15
Decorah Branch.....	23.25
Muscatine to Riverside.....	30.56
Montezuma Branch.....	73.63
Clinton Branch.....	78.42
Davenport Iowa and Dakota.....	29.92
Vinton to Iowa Falls.....	74.33
Farner Division.....	24.70
Estherville to State Line.....	50.76
Gowrie to Sibley.....	109.72
Keosauqua Branch.....	4.50
Oskaloosa Branch.....	79.43
Winterset Branch.....	47.08

838.74

Total main line.....	1,363.595 miles.
Total branch line.....	838.74 "

2,202.335 "

Some of these branches are only five miles in length, some ten, twenty and thirty, and the longest one from Gowrie to Sibley is 109 miles long.

Governor Kendall: Do you count the Cedar Rapids and Sioux Falls a branch or main line?

Mr. Peter: That is a branch.

Mr. Ramsay: That is the old B. C. R. & N.?

Mr. Peters: Yes, that is a part of the B. C. R. & N. I think it will be seen at once that whether you agree with us upon a particular piece of property being a branch or main line and I take it that the [fol. 447] question asked by one of the members indicates there might be a disagreement about that, but whether you can agree upon everything or not it is recognized the Rock Island has a disproportionately large amount of branch mileage in this State which is a fact which can be proven from our accounting records that a great proportion of that branch mileage does not in many cases pay operating expenses, it does not pay more than a bare fraction of what it should pay as a reasonable return on the amount invested.

Mr. Gibson: Do you in allocating the expense to the branch lines or in allocating the revenue to them, do you give them any benefit by reason of the fact that they originate business?

Mr. Peter: No we do not and I think that would be obviously improper to do so. We take the formula adopted by the state legislature and the fact a piece of property is owned by the Rock Island it gets the same proportion of revenue if it originates the traffic whether it be main line or whether it be a branch line, and that if you please is entirely fair because on the other hand if the traffic originated on the main line it gets no more than its mileage pro rate although it may be delivered to a branch line.

Mr. Gibson: What would be the approximate division which is allowed or given over to the connecting branch line in this state supplying freight to you which is carried over your line?

Mr. Peter: I am not familiar enough with divisions to answer that question.

Mr. Gibson: There is a percentage given the originating line over and above the actual mileage haul?

Mr. Peter: That is true for the reason that grew out of the competitive conditions, trunk lines anxious to get business from branch lines naturally made an inducement to bring it to the rails of the trunk line, but we don't compete with ourselves.

Mr. Gibson: Isn't it a fact it has been demonstrated by experts, Mr. Peter, that where a line eliminates its branch lines and all freight traffic derived therefrom the main lines will not make money and also if you eliminate the main line the branch line will not make

[fol. 448] money, you have got to arrive at a certain percentage of allocations in order to allow both to make money.

Mr. Peter: I think that would depend largely on the property. I think branch lines is the strength of some railroads. Take one of the heavy payers of the south-west, the Kansas City Southern. I talked with the Kansas City Southern people about that and they

have nothing but main line, no branch line feeders and they think that is an element of strength to them. Of course it depends upon where the branch line is. The New York Central has some branch lines that are very heavy feeders and may be in that case. The principle you are talking about might be equitable.

Mr. Gibson: How does that work out in the case of the Rock Island, or hasn't it been figured out?

Mr. Peter: We nevered figured that out for our branch lines, we put our money in when they were built. We take the revenue that comes off of that and give it the same square deal we give the revenue that comes off of the main line and goes onto the branch line, taking them all as Rock Island track and figure our results accordingly.

Now, with respect to the earnings in the State of Iowa, on Mr. Gamble's first exhibit he showed a deficit of the year 1920 and he showed about 10½% was earned in 1921. I wish to read the actual figures into the record. The deficit in the State of Iowa for the year 1920 calculated upon the basis of calculating the Iowa Gross Revenues and the Iowa Operating Expenses was \$3,909,147.03, that was a deficit. In the year 1921 the net was \$1,034,388.15.

Mr. Gibson: With reference to 1920 you say a deficit do you consider in arriving at that deficit the income you received from the Federal Government?

Mr. Peter: No, Mr. Gibson, that is upon the basis of the revenues earned by the property. Now the Government had it for two months [fol. 449] in 1920. We took what the government made. In other words, for this purpose of arriving at what the property could do we disregarded the personnel of the one who was operating it. In other words, finding out what we could earn in 1920 with this property we did not consider our standard return based upon results of three years ending June 30th, 1917.

Mr. Gibson: You did not include the government rentals at all?

Mr. Peter: No that did not come out of the property. That came out of the United States treasury.

Mr. Gibson: Isn't it a fact the policy of the Government was not to increase rates or reduce wages, but to increase them and make up the difference to the carriers so as to be able to carry the traffic at a low rate. Wouldn't that make a difference in the revenues derived?

Mr. Peter: I know this: That whatever the rates were during the first few months of Federal control, they continued up until August 26th, 1920.

Mr. Gibson: During that time you were guaranteed—

Mr. Peter: Yes, that came out of the United States Treasury and this represents the earnings of the property. It is a factor, in other words, of the values that flow out of this property. If you were going to buy a property you would want to know what it was earning currently, not what some landlord was having to pay for it based upon a lease made several years before.

Governor Kendall: How did the government fix the amount of rental to be paid.

Mr. Peter: They took our earnings for those three years, averaged them and said that is what we will pay you per annum.

Governor Kendall: Prior to June, 1917?

Mr. Peter: Yes, they figured in that period there was one poor [fol. 450] year, one medium year and what they called one good year and by averaging them produced a fair return.

Now, there is one other consideration here. As Mr. Gamble has very clearly explained to you the Rock Island is willing, for the purposes of this proceeding, to accept a principle that has been enunciated at large over this State, that is, if a railroad claims one value for rates it ought to claim and be willing to accept that same value for the purpose of taxation, and Mr. Gamble demonstrated the fact that the Rock Island certainly was entitled to a reduction. There is a further consideration which has happened since we met the last time. Last fall a proceeding was instituted at Washington before the Commission to get reduced rates on grain, hay and other farm products. The commission know- that the railroads were not earning the money that Congress intended them to earn, namely, six per cent upon the fair value of the property. Take the Rock Island which is a granger railroad hauling farm products for the year 1921 barely made two per cent upon the property as found by the Commission's own values. Take their own value. We defended against a reduction of these rates on hay, grain, etc., but we were unsuccessful. Why? Not because we did not prove our case. That case was proved twice over and why was President Harding and Mr. Hoover urging these reductions? Why were these farmer organizations represented in Washington urging them? The idea was that the farmer needed help and he got it through the basis of that decision. We were compelled to help him, and we did help him and that was a political decision, and anyone who will read the opinion and decision can see that written in every line of it. It was a political action designed to help the farmer and of course it helped the farmers and everybody knows the farmers of Iowa constitute the great bulk [fol. 451] of the population and the productiveness of this State. What happened? The railroads decided voluntarily to put these reductions in. They went into effect the first of January and the Rock Island, the first time in several years had managed to have a little profit in the year 1921, it amounted to approximately 2½%, upon its property account as found by the Commission. In January the Rock Island lost money. February the same story. March, April, May the same story. Now if you please, we kept account to see why that was and in the accounting, we put down a column of figures representing what we would have received on the basis of these rates on corn and grain and other farm products if it had not been reduced. I have been away from the office a little while and I have not had a chance to talk to the accounting department recently, but on May first the Rock Island was about one million dollars behind, that is in the red. In January we were expecting to pay off some bank loans, money we had borrowed to carry ourselves along. In February I helped prepare an application to the Interstate Commerce Commission, where we have to go nowadays for everything, to borrow increased money, to borrow money to pay our operating expenses. And why was that? Because we have figured out that in

the first four months of 1922 we lost \$1,100,000 as a result of that reduction on farm products. We were one million dollars substantially in the hole, and if it had not been for these rate reductions we would have been 2,100,000 in the black. That represents a loss to us. I am only wanting now to make application of that principle about which we have heard so much, that if you are willing to accept something for rates you ought to accept it for taxation. Now I say is the time to apply that as between this road coming here for assessment and between these Iowa farmers getting the benefit of that reduction. Is there any doubt in the mind of any one of you gentlemen that the Rock Island is worth less because that rate reduction took place January 1st and put us in the hole a million dollars and decreased our earnings \$2,100,000? Of course, the property is worth less. We won't get that back. It is gone and we won't get it back again. The Rock Island hauls products on which the heavy cut is made. The Iowa farmer ought not to get a thing twice over. If he wants the rates cut on his products then as a tax-payer he ought not to get the advantage. As a tax-payer he ought to be willing that we as a tax-payer should be reduced in our assessment according with the reduction in value which we had to take as a result of that rate cut. It is a principle in this world that a man can't eat his cake and have it, and if the farmers want these rates reduced they ought to be willing to accept the consequences. I could not elaborate on that or make it any more plain if I talked here all afternoon. There is a proposition that ought to appeal certainly to the fairness of this Board and it certainly fits right in with the principle announced by the Supreme Court of the United States, that value is dependent upon earnings and you are here to fix the value and it certainly is proper to take into account if this railroad, because of that is of less value and of course I have not said a word about further rate reduction made this spring of ten per cent on other commodities. I am much obliged, gentlemen.

Governor Kendall: The Council will adjourn until two o'clock this afternoon.

[fol. 453] EVIDENCE: COMPLAINANT'S EXHIBIT 13

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN
DISTRICT OF IOWA

[Title omitted]

Stipulation

Come now the parties to the above entitled cause and for the purpose of facilitating the hearing upon the application for a temporary injunction hereby stipulate and agree that upon the hearing of the application for a temporary injunction the introduction of evidence as to the market value of farm lands as contemplated by section 1305 of the Code of Iowa, 1897, on January 1, 1922, and August 1, 1922, is hereby waived and in lieu of the introduction of such evi-

dence it is agreed that such evidence would show, if introduced, the average value of such lands on said dates to be one hundred twenty-five dollars (\$125.00) per acre.

Nothing in this stipulation contained shall be construed to limit either party hereto in the production of evidence as to such land values upon the final hearing in this cause.

W. F. Dickinson, W. F. Peter, J. G. Gamble, Attorneys for
Complainant. Ben J. Gibson, Attorneys for Respondents.

[fol. 454] EVIDENCE: COMPLAINANT'S EXHIBIT #15

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

Affidavit of J. G. Gamble in Response to Affidavit K-1, Filed in said Cause

STATE OF IOWA,

Polk County, ss:

I, J. G. Gamble, upon oath do state that I am a resident of Iowa, and that I am an attorney for the complainant in the above entitled cause; that I have examined Exhibit K-1 introduced in said cause by the defendants, together with the exhibits Nos. 1, 2 and 3 thereto attached. I have also examined Exhibit "G" offered in said cause by said defendant, together with Exhibit No. 8 of The Chicago, Rock Island & Pacific Railway Company filed with the Executive Council of the State of Iowa attached to said Exhibit "G;" that I have also examined the tentative valuation report in Valuation Docket No. 152 made by the Bureau of Valuation of the Interstate Commerce Commission.

In Exhibit "K-1" in table marked Exhibit "1" thereto attached, the total value of all property for the entire system of The Chicago, Rock Island & Pacific Railway Company is shown at \$322,277,596.00 [fol. 455] (see page 28, Tentative Valuation Report, I. C. C. 152).

This figure is made up as follows:

Cost of Reproduction, less depreciation (p. 17, Tentative Report of Valuation, I. C. C. 152) . . .	\$199,992,235.00
Lands present worth (p. 21, Tentative Valuation Report, I. C. C. 152)	36,926,431.00
Rights in public domain and private lands (Tentative Valuation Report, I. C. C. 152)	41,631.00
2½% allowance referred to in Exhibit "C"	5,924,007.00
Working Capital, materials and supplies (p. 29 Tentative Valuation, I. C. C. 152)	8,809,983.00
Total	251,694,287.00

Property used but not owned (page 28, Tentative Valuation I. C. C. 152)	70,467,613.00
Total used	322,161,900.00

Thus it will be seen that the "Excess Cost of Acquisition of Land" was not in fact allowed, although it is treated in Exhibit "K-1" as being directly located property in the State of Iowa and used in arriving at the ratio for apportioning unallocated property. Again it will be seen that "Working Capital" and other miscellaneous elements of costs shown in Exhibit "C" aggregating \$5,048,985.00 as apportioned to Iowa was used in making the total of \$322,000,000 plus. If therefore the figures in Exhibit "K-1" are corrected to correspond with the facts disclosed from the Tentative Valuation Report I. C. C. 152 and Exhibit "C," we have:

1. Total value of all property for entire system (p. 28 Tentative Valuation Report)	\$322,277,596.00
2. Total value all unallocated property for entire system (p. 21)	51,411,344.00
3. Total value allocated property for entire system	270,866,252.00
4. Total engineering property allocated to Iowa (p. 18)	58,569,838.00
[fol. 456]	
5. Total land value in Iowa (Present Value) (p. 23)	10,783,274.96
6. Total land value in Iowa (present value) including non-carrier lands (p. 23-26) and non-carrier structures on carrier land (p. 27)	11,291,972.16
7. Total allocated property in Iowa (4 plus 6) ..	69,861,810.16
8. Per cent of allocated property in Iowa to total allocated property ($7 \div 3$) .....	.2579
9. Unallocated property in Iowa determined on basis of percentage of allocated property ..	13,258,985.61
10. Total property in Iowa (allocated and computed unallocated)	83,120,795.77

Table marked Exhibit "2" attached to Exhibit "K-1" when corrected to correspond with the facts disclosed by Tentative Valuation Report I. C. C. 152 and Exhibit "G" and computing unallocated property on the basis of the allocated property used in said report would disclose the following:

1. Total net investment in Iowa for Roadway & Structures & Land, June 30, 1915 to Dec. 31, 1921, less 18% depreciation (Exhibit "G") ..	3,497,777.00
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2. Total unallocated investment in equipment on system from June 30, 1915 to December 31, 1921 (Exhibit "G")	8,433,562.00
3. Total investment in equipment June 30, 1915 to December 31, 1921 determined by ratio of per cent (.2579) of property in Iowa June 30, 1915 to total property (Bureau of Valuation No. 152, I. C. C.)	2,175,015.64
Grand total property for Iowa (allocated and unallocated, computed June 30, 1915; accruals and betterments for Iowa 1915—December 31, 1921, computed less depreciation)	88,793,587.00

[fol. 457] Table marked Exhibit "G" attached to Exhibit "K-1" if corrected to correspond with the facts would disclose the following:

Total carrier property in and for Iowa, owned or used, distributed and allocated, computed less depreciation	88,793,587.00
Total value assessed by Executive Council for carrier property, July 1922, for year ending December 31, 1921 (Ex. A)	66,950,984.00
Per cent of assessment by Executive Council to total allocated and distributed carrier property in Iowa, for year ending December 31, 1921	75.4±

The theory of Exhibit "K-1" is to allocate to Iowa the total investment for additions and betterments in road and equipment from June 30, 1915 to December 31, 1921 on the basis of the ratio of located property on June 30, 1915 as disclosed by the Tentative Valuation Report I. C. C. No. 152.

Exhibit "G" being the Rock Island's Exhibit 8 filed with the Executive Council shows Additions and Betterments in the State of

Iowa in the period referred to as follows:

Directly located:

Roadway & Structures	\$3,422,771.00
Land	75,006.00
Total directly located in Iowa	3,497,777.00

The total unallocated Additions and Betterment expenditures for the system during the same period was \$8,433,562.00 (see Exhibit "G").

If this unallocated amount were apportioned on the basis of Exhibit "K-1," it would result in the allocation to Iowa of \$2,450,792.11 being .2906 per cent of the total unallocated Additions and Betterment expenditures, which, if added to the Additions and Betterment Expenditures directly located to Iowa would make the total

[fol. 458] Additions and Betterment Expenditures for Iowa \$5,948,569.00 whereas in Exhibit "K-1" the amount is taken as \$11,207,937.81, an excess of \$5,259,368.00. If the allocation of unallocated Additions and Betterment expenditures is made upon the true basis of located to unallocated property, or upon the ratio of .2579 per cent, then the amount of the unallocated Additions and Betterment expenditures properly apportioned to the State of Iowa would be \$2,175,015.00, which with the Additions and Betterment expenditures directly located would aggregate \$5,672,793.00 as against \$11,207,937.00 claimed in Exhibit "K-1" an excess of \$5,535,144.00.

Exhibit "K-1" includes an item of \$2,848,956.00 as Increased Value of Lands at the rate of 25% over the value of June 30, 1915 not including excess cost of acquisition. The value of land on June 30, 1915 not including excess cost of acquisition was \$11,291,972.00 (see p. 23, Bureau of Valuation Report No. 152 and pages 23-26 and 27, same report). 25% of this sum would be \$2,822,994.00 as against \$2,848,956.00, an excess of \$25,962.00. No evidence has been offered of an increase in the value of these lands during the period.

(Sgn.) J. G. Gamble,

Subscribed and sworn to before me by the said J. G. Gamble, this 24 day of October, 1922. (Sgn.) M. H. Parmele,
Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 459] EVIDENCE: COMPLAINANT'S EXHIBIT #16

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY, Com-
plainant,

vs.

NATHAN E. KENDALL, Governor of Iowa, et al., Defendants.

Affidavit of A. Hermany in Response to Exhibit L-2

STATE OF IOWA,
County of Polk, ss:

I, A. Hermany, being first duly sworn, on oath depose and say:

That I am now and have been since March 1st, 1921, Assistant General Auditor of the complainant. That continuously prior thereto for a period of nine years, I was Auditor of Disbursements

of complainant, and I have been continuously in the employ of said Railway Company in the Accounting Department thereof for a period of eighteen years last past. That I have examined Exhibit "L-2." I have also examined the report of the Board of Railroad Commissioners of the State of Iowa, including statistics with respect to steam railroad for the years 1912-1921 inclusive. That the gross operating revenue of the Chicago, Rock Island & Pacific Railway Company including the K. & D. M. Railroad, for the years 1910-1921 inclusive as disclosed by said reports, was the sum of \$253,025,233.16, as [fol. 460] signable to the State of Iowa. That the operating expenses for the same properties for the same period, was \$216,165,997.53, and that the operating ratio for the said period, for the said properties in the State of Iowa, was 85.41. That the total railway operating revenue of the said properties during the years 1917-1921 inclusive, was \$133,260,106.76, and the total operating expenses of the said properties from 1917-1921 inclusive, in the State of Iowa as disclosed by said reports, was \$126,736,869.13, and the operating ratio for said period from 1917-1921 inclusive, was 95.08.

Table 1 hereto attached is a tabulation showing the total railway operating revenue of the complainant inclusive of the K. & D. M. Railroad in the State of Iowa, for the year 1921, the operating ratio to the net revenue, and the result of capitalizing such net revenue at 5 and 5½ per cent.

Table 2, hereto attached, is a statement of the total railway operating revenue of the complainant inclusive of the K. & D. M. Railroad in the State of Iowa, for the years 1910-1921 inclusive, the average railway operating revenue for the twelve year period, the average operating ratio for the twelve year period, and the average net revenue obtained by applying the average operating ratio to the average railway operating revenue for said period; and the value of the property obtained by capitalizing the average net revenue for said period so ascertained at 5, 5½ and 6 per cent.

[fol. 461] Table 3 hereto attached, is a statement of the total railway operating revenues for the years 1917-1921 inclusive of the complainant in the State of Iowa, the average operating revenue per year during said period, the average operating ratio during said period and the average net revenue during said period in the State of Iowa and the value of the property of complainant obtained by capitalizing such average net revenue during said five year period, at 5, 5½ and 6 per cent.

(Sgn.) A. Hermany.

Subscribed and sworn to before me the undersigned, by A. Hermany, this 23rd day of October, A. D. 1922. (Sgn.)
M. Helen Thompson, Notary Public in and for Polk County, Iowa. (Seal.)

To Hon. William L. Harding,
Governor of the State of Iowa,

INTERSTATE COMMERCE COMMISSION
Bureau of Valuation
Engineering Report Upon
CHICAGO, ROCK ISLAND & PACIFIC RAILWAY SYSTEM
Iowa Vol. 1.

✓ Evidence Exhibited

Filed October
N. L. Reed,
by Gertrude

INTERSTATE COMMERCE COMMISSION
BUREAU OF VALUATION

ENGINEERING REPORT
UPON THE
CHICAGO ROCK ISLAND AND PACIFIC RAILWAY SYSTEM
STATE AND GENERAL SUMMARIES
AND
UNALLOCATED PROPERTY
SHOWING
COST OF REPRODUCTION NEW
AND
COST OF REPRODUCTION LESS DEPRECIATION

INVENTORY AS OF JUNE 30, 1915.
PRICES AS OF JUNE 30, 1914.

INTERSTATE COMMERCE COMMISSION

Bureau of Valuation

Engineering Report Upon

CHICAGO, ROCK ISLAND & PACIFIC RAILWAY SYSTEM

Iowa Vol. 1.

463

✓ Evidence Exhibit "77"

Filed October 24, 1922,
N. L. Reed, clerk
by Gertrude Darrell, Deputy.

rding,
of Iowa,

INTERSTATE COMMERCE COMMISSION

BUREAU OF VALUATION

ENGINEERING REPORT

UPON THE

CHICAGO ROCK ISLAND AND PACIFIC RAILWAY SYSTEM

STATE AND GENERAL SUMMARIES

AND

UNALLOCATED PROPERTY

SHOWING

COST OF REPRODUCTION NEW

AND

COST OF REPRODUCTION LESS DEPRECIATION

INVENTORY AS OF JUNE 30, 1915.
PRICES AS OF JUNE 30, 1914.

D.V. Form No. 563

owner The Chicago, Rock Island & Pacific Ry. Co.
Operating Company, The Chicago, Rock Island & Pacific Ry. Co.

Division State Iowa

Valuation Section No. All sections (except jointly owned)

From to
1,858,686 Miles Main Line, 2,459,510 Miles all tracks.

INTERSTATE COMMERCE COMMISSION

Division of Valuation

Date of Inventory

Date Compiled Decem

Compiled by

Correct

Approved

S U M M A R Y S H E E T

R. and E. Account Number	Classes	Original cost to date	Cost of Reproduction	R. and E. Account Number
(1)	(2)	(3)	(4) New (5) Less Depreciation	(6)
I Road:				
1	Engineering	\$2,316,534	\$ 2,316,534	1
2	Land for Transportation Purposes			2
3	Grading	11,494,155	11,428,115	3
4	Underground power tubes			4
5	Tunnels and Subways			5
6	Bridges, trestles and culverts	9,558,155	7,552,795	6
7	Elevated Structures			7
8	Ties	7,310,792	4,472,170	8
9	Rails	7,749,714	6,380,277	9
10	Other track material	1,958,492	1,256,105	10
11	Ballast	4,249,393	3,120,205	11
12	Track laying and surfacing	3,851,547	2,747,936	12
13	Right-of-way fences	718,321	404,699	13
14	Snow and sand fences and snowsheds	63,887	44,140	14
15	Crossings and signs	655,088	539,347	15
16	Station and office buildings	2,885,427	2,108,097	16
17	Roadway Buildings	159,504	102,523	17
18	Water Stations	611,920	469,235	18
19	Fuel Stations	214,566	151,484	19
20	Shops and Engine Houses	1,470,859	1,080,372	20
21	Grain Elevators			21
22	Storage Warehouses			22
23	Wharves and docks			23
24	Coal and ore wharves			24
25	Gas producing plants			25
26	Telegraph and telephone lines	181,480	113,441	26
27	Signals and interlockers	947,941	606,455	27
28	Power dams, canals and pipe lines			28
29	Power plant buildings	76,147	68,579	29
30	Power substation buildings			30
31	Power transmission systems			31
32	Power distribution systems	13,373	9,086	32
33	Power line poles and fixtures			33
34	Underground conduits			34
35	Miscellaneous structures			35
36	Paving	6,393	5,164	36
37	Roadway machines	39,522	21,740	37
38	Roadway small tools	26,485	14,572	38
39	Assessments for public improvements			39
40	Revenues and operating expenses during const.			40
41	Cost of road purchased			41
42	Reconstruction of road purchased			42
43	Other expenditures - Road	92,936	63,242	43
44	Shop machinery	319,115	174,725	44
45	Power plant machinery	87,023	64,317	45
46	Power substation apparatus,			46
47	Unapplied construction material and supplies			47
48	Engineering Instruments	3,412	2,388	48
	Total, 1 to 48 inclusive	57,062,181	45,517,743	

Fil:

N.
by

(forward)

Rock Island & Pacific Ry. Co.
Chicago, Rock Island & Pacific Ry. Co.
All sections (except jointly owned)
ine, 2,459,510 Miles all tracks.

INTERSTATE COMMERCE COMMISSION
Division of Valuation

Date of Inventory as of June 30, 1918
Date Compiled December 31, 1918
Compiled by
Correct

Approved
Engineer
Engineer

464

Classes	Original cost to date (3)	Cost of Reproduction (4) New	(5) Less Depreciation	R. and E. Account Number (6)	Remarks (7)
Engineering	\$2,316,534	\$ 2,316,534		1	
Equipment for Transportation Purposes				2	
Engineering	11,494,155	11,428,115		3	
Underground Power tubes				4	
Telephones and Subways				5	
Bridges, trestles and culverts	9,558,155	7,552,795		6	
Protected Structures				7	
Equipment	7,310,792	4,472,170		8	
Locomotives	7,749,714	6,380,277		9	
Car track material	1,958,492	1,256,105		10	
Locomotives	4,249,393	3,120,205		11	
Track laying and surfacing	3,851,547	2,747,926		12	
Right-of-way fences	718,321	404,699		13	
Gravel and sand fences and snowsheds	63,887	44,140		14	
Signs and signals	655,088	539,347		15	
Station and office buildings	2,885,427	2,108,097		16	
Passenger Buildings	189,504	102,523		17	
Water Stations	611,920	469,235		18	
Locomotive Stations	214,566	151,484		19	
Passenger and Engine Houses	1,470,859	1,080,372		20	
Freight Elevators				21	
Freight Warehouses				22	
Freight cars and docks				23	
Coal and ore wharves				24	
Producing plants				25	
Graph and telephone lines	181,480	113,441		26	
Telephones and interlockers	947,941	606,455		27	
Water dams, canals and pipe lines				28	
Water plant buildings	76,147	68,579		29	
Water substation buildings				30	
Water transmission systems				31	
Water distribution systems	13,373	9,086		32	
Water line poles and fixtures				33	
Underground conduits				34	
Miscellaneous structures				35	
Engines	6,393	5,164		36	
Steam machines	39,522	21,740		37	
Steam small tools	26,485	14,572		38	
Materials for public improvements				39	
Repairs and operating expenses during const.				40	
Cost of road purchased				41	
Construction of Road purchased				42	
Expenditures - Road	92,936	63,242		43	
Machinery	319,115	174,725		44	
Plant machinery	87,023	64,317		45	
Substation apparatus				46	
Applied construction material and supplies				47	
Engineering Instruments	3,412	2,388		48	
Total, 1 to 48 inclusive	57,062,181	45,517,743			

Ed.17-1

Filed October
24, 1922
N. F. Reed, Clerk
by Gertrude Darrell
Deputy

(continued)

465

II Equipment:

51	Steam locomotives			51
52	Other locomotives			52
53	Freight train cars			53
54	Passenger train cars			54
55	Motor Equipment of cars			55
56	Floating Equipment			56
57	Work Equipment			57
58	Miscellaneous equipment			58

Total, 51 to 58, inclusive,

III General Expenditures:

71	Organization expenses			71
72	General officers and clerks			72
73	Law			73
74	Stationery and printing	855,931	682,764	74
75	Taxes			75
77	Other expenditures - General,			77
76	Interest during construction	3,731,996	2,993,081	76
	Total 71 to 77, inclusive	4,587,927	3,675,845	
	Grand total, 1 to 77 inclusive	61,650,108	49,193,588	
	Grand total - Other			

D.V. Form No. 563

INTERSTATE COMMERCE COMMISSION
Division of Valuation

Owner The Chicago, Rock Island & Pacific Ry. Co.
 Operating Company The Chicago, Rock Island & Pacific Ry. Co.
 Division State Iowa
 Valuation Section No. C.R.I.&P. 1-Iowa,
 from Davenport to Iowa City
 54,900 miles Main Line, 132,391 miles all tracks.

Date of Inv.
 Date Compile
 Compiled by
 Correct

SUMMARY SHEET

Approved

R. and E. Account Number (1)	(2)	Classes	Original Cost to	Cost of Reproduction	
			(3) date	(4) New	(5) Less Depreciat- ion
I Road:					
1		Engineering	\$ 171,232	\$	171,232
2		Land for transportation purposes			
3		Grading	664,468		650,017
4		Underground power tubes			
5		Tunnels and subways			
6		Bridges, trestles and culverts	989,621		817,338
7		Elevated structures			
8		Ties	397,455		246,203
9		Rails	488,044		406,136
10		Other track material	144,485		84,002
11		Ballast	373,561		283,484
12		Track laying and surfacing	227,167		167,076
13		Right-of-way fences	23,977		18,078
14		Snow and sand fences and snowsheds			
15		Crossings and signs	55,644		47,503
16		Station and office buildings	227,697		180,834
17		Roadway buildings	16,686		9,322
18		Water Stations	32,707		27,354
19		Fuel Stations	12,003		7,460
20		Shops and Engine Houses	20,025		15,695
21		Grain elevators			
22		Storage warehouses			
23		Wharves and docks			
24		Coal and Ore Wharves			
25		Gas producing plants			
26		Telegraph and telephone lines	12,707		10,959
27		Signals and interlockers	111,828		95,172
28		Power dams, canals and pipe lines			
29		Power plant buildings			
30		Power substation buildings			
31		Power transmission systems			
32		Power distribution systems			
33		Power line poles and fixtures			
34		Underground conduits			
35		Miscellaneous structures			
36		Paving			
37		Roadway Machines	2,461		1,354
38		Roadway small tools	1,485		817
39		Assessments for public improvements			
40		Revenues and operating expenses during const.			
41		Cost of road purchased			
42		Reconstruction of road purchased			
43		Other expenditures - Road	2,745		2,196
44		Shop machinery	380		192
45		Power plant machinery			
46		Power substation apparatus			
47		Unapplied construction material and supplies			
Total, 1 to 47, inclusive			3,976,378		3,242,424

(forward)

INTERSTATE COMMERCE COMMISSION
Division of Valuation

466

Rock Island & Pacific Ry. Co.
Chicago, Rock Island & Pacific Ry. Co.
Iowa
C.R.I. & P. 1-Iowa,
Iowa City
10, 132,391 miles all tracks.

Date of Inventory as of June 30, 1915
Date Compiled December 31, 1918
Compiled by
Correct

SUMMARY SHEET

Approved

Engineer
Engineer

Classes	Original Cost to date (3)	Cost of Reproduction		R. and E. Account Number (6)	Remarks (7)
		(4) New	(5) Less Depreciat- ion		
Engineering	\$ 171,232	\$ 171,232		1	
and for transportation purposes				2	
ading	664,468	660,017		3	
iderground power tubes				4	
annels and subways				5	
ridges, trestles and culverts	989,621	817,338		6	
levated structures				7	
les	397,455	246,203		8	
sile	488,044	406,136		9	
ber track material	144,485	84,002		10	
illast	373,561	283,484		11	
rack laying and surfacing	227,167	167,076		12	
ght-of-way fences	23,977	18,078		13	
ow and sand fences and snowsheds				14	
ossings and signs	55,644	47,503		15	
ation and office buildings	227,697	180,834		16	
adway buildings	16,686	9,322		17	Ed. 17-2
ter Stations	32,707	27,354		18	
el Stations	12,003	7,460		19	
ops and Engine Houses	20,025	15,695		20	Filed October 24,
ain elevators				21	1922,
orage warehouses				22	H. F. Reed, Clerk,
arves and docks				23	Ry Gertrude Darrell,
al and Ore Wharves				24	Deputy,
a producing plants				25	
telegram and telephone lines	12,707	10,959		26	
gnals and interlockers	111,828	95,171		27	
wer dams, canals and pipe lines				28	
wer plant buildings				29	
wer substation buildings				30	
wer transmission systems				31	
wer distribution systems				32	
wer line poles and fixtures				33	
ierground conduits				34	
ecellaneous structures				35	
ving				36	
adway Machines	2,461	1,354		37	
adway small tools	1,495	817		38	
essments for public improvements				39	
venues and operating expenses during const.				40	
st of road purchased				41	
onstruction of road purchased				42	
er expenditures - Road	2,745	2,196		43	
op machinery	380	162		44	
er plant machinery				45	
er substation apparatus				46	
plied construction material and supplies				47	
Total, 1 to 47, inclusive	3,976,378	3,242,424			

(forward)

(continued)

467

II Equipment:

51	Steam locomotives			51
52	Other locomotives			52
53	Freight-train cars			53
54	Passenger-train cars			54
55	Motor equipment of cars			55
56	Floating equipment			56
57	Work equipment			57
58	Miscellaneous equipment			58

Total, 51 to 58, inclusive

III General Expenditures:

71	Organization expenses			71
72	General officers and clerks			72
73	Law			73
74	Stationery and printing	59,646	48,636	74
75	Taxes			75
76	Other expenditures - general			76
77	Intering during construction	302,702	246,830	77
	Total, 71 to 77, inclusive	362,348	295,466	
	Grand total, I to 77, inclusive	4,338,726	3,537,690	
	Grand total - Other			

D.V. Form No. 561

Owner United States Government.

Val. Section No. CRI&P-1-1a. 54,900 miles main line, 132,391 miles all tracks.

Location

where but a single percentage is stated it represents both per cents

INTERSTATE COMMERCE COMMISSION

Division of Valuation

Sheet No. 1a of 9

Approved

Cost of

(1)

Character of property and description.

Per Unit

Acct. No. 6 Title Bridges, Trestles & Culverts.

Condition	Per Cent	Unit	Number of	Per Unit
per cent	of cost	(2)	Units	(4)
	New		(3)	

Mississippi River Bridge at Davenport:

One 193'6" double track thru pin connected truss span, two 258' and three 216'6-3/4" double track thru pin connected truss spans with lower highway deck and one-half of one 365' double track thru pin connected swing span with lower highway deck, and one-half of the machinery, operating motor, motor driven compressor, air tanks, and machinery house on two stone abutments, five stone piers, and one-half of one stone center pier and one-half of stone draw rest, with one-half of wood platform, tool house, and hand rail, built in 1896.

Substructure:

Excavation, dry earth	80	cu. yd.	183	.50
" solid rock	80	"	592	1.50
" wet	80	"	6,871	4.40
Masonry, squared stone	80	"	9,918	12.40
Steel protection	80	lb.	29,100	.0350
Wood platform	80	sq. ft.	2,150	.27
Tool House	80	One	1	580.00
Pipehand rail	80	lin. ft.	420	.25

Superstructure:

One 193'6" double track thru pin connected truss span, two 258' and three 216'6-3/4" double track thru pin connected truss spans with lower highway deck	80	81	lb.	7,744,000	.0400
Scrap, 7,744,000 lbs. at .2¢ - \$15,488	80	81	"	1,143,000	.0493
One-half of one 365' double track thru pin connected swing span with lower highway deck, S scrap, 1,143,000 lbs. at .2¢ - \$2,286.	80	81	"	125,000	.0825

Machinery

Scrap, 125,000 lbs. at .2¢ - \$250.	80	81	"	125,000	.0825
-------------------------------------	----	----	---	---------	-------

Machinery house.

One	1	696.00
-----	---	--------

Equipment.

90	1	3490.00
----	---	---------

81

Ownership of entire structure vested in the United States Government.
Chicago, Rock Island & Pacific Railway Co. paid 60% of cost of superstructure and substructure.

Ex. 17-3

Filed October 24,
N. F. Reed, Cler
By Gertrude Darre
Depu

INTERSTATE COMMERCE COMMISSION

Division of Valuation

Sheet No. 1a of 9 of this valuation section
Approved

pverment.

-1-1a. 54,900 miles main line, 132,391 miles all tracks.

Where but a single percentage is stated it represents both per cents of property and description.

Cost of Reproduction

	Condition	Per Cent	Unit	Number of	Per Unit	New, Total	Less De-
	per cent	of cost	(2)	Units	(4)	(5)	preciation
		New		(3)			(6)

tle Bridges, Trestles & Culverts.

ge at Davenport:

track thru pin connected truss span, two
 6'-6-3/4" double track thru pin connected
 lower highway dock and one-half of one
 thru pin connected swing span with lower
 one-half of the machinery, operating motor,
 resser, air tanks, and machinery house on
 is, five stone piers, and one-half of one
 and one-half of stone draw rest, with one-half of
 al house, and hand rail, built in 1896.

with
 rock

stone

80	cu.yd.	183	.80	91	73
80	"	592	1.50	888	710
80	"	6,871	4.40	30,234	24,186
80	"	9,918	12.40	122,983	98,387
80	lb.	29,100	.0350	1,018	818
80	sq.ft.	2,150	.27	580	464
80	One	†	580.00	290	232
80	Lin. Ft.	420	.25	105	84

track thru pin connected truss span, two
 6'-6-3/4" double track thru pin connected
 over highway deck .
 bs. at .2¢- \$15,488
 5' double track thru pin connected swing span
 ay deck .S crap, 1,143,000 lbs. at .2¢- \$2,286.
 . at .2¢ - \$250.

80	81	lb.	7,744,000	.0400	309,760	250,906
80	81	"	1,143,000	.0493	56,350	45,537
80	81	"	125,000	.0825	10,312	8,350
80	One	†	696.00	348	278	
90	"	†	3490.00	1,745	1,570	
81					324,762	258,542

ire structure vested in the United
 t.
 land & Pacific Railway Co. paid
 superstructure and substructure.

320,821 258,925

Ex. 17-3

Filed October 24, 1932,
 N. F. Reed, Clerk,
 By Gertrude Darrell,
 Deputy,

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Valuation Docket, No. 452

In the Matter of the Tentative Valuation of the Property of The Chicago, Rock Island and Pacific Railway Company; Keokuk and Des Moines Railway Company; Choctaw, Oklahoma and Gulf Railroad Company; Rock Island, Arkansas and Louisiana Railroad Company; St. Paul and Kansas City Short Line Railroad Company; Rock Island and Dardanelle Railway Company; Rock Island, Stuttgart and Southern Railway Company; Rock Island Memphis Terminal Railway Company; The Peoria and Bureau Valley Railroad Company; White and Black River Valley Railway; The Chicago, Rock Island and Gulf Railway Company; Morris Terminal Railway Company, and Chicago, Rock Island and Pacific Railroad Company,

Protest of the Iowa Railroad Commission

The Board of Railroad Commissioners of the State of Iowa, hereby respectfully protest against the tentative valuation of the property of the Chicago, Rock Island and Pacific Railway Company, and the above named affiliated companies, heretofore made by this Honorable Commission, and says:

Cost of Reproduction New

Account No. 3, Grading. — Protestants have not had sufficient time within which to complete their investigations of either the unit prices [fol. 471] or the classification under this account. The investigations which have been made, however, indicate that in certain instances the prices allowed for grading, as shown in the engineering report, are excessive and that incorrect classifications have been made. In numerous places plain earth has been classified as loose rock, and loose rock as solid rock. Protestants respectfully reserve the right to introduce testimony in support of this objection.

Protestants object to adding to the grading quantities ten per cent (10%), or any other per cent to allow for assumed shrinkage, and respectfully reserves the right to introduce testimony on this objection.

Protestants allege that at many places in the State of Iowa, the reproduction value of grading has been allowed where that value is reflected in the value of the land upon which the grading rests. Because of a lack of sufficient time a specification herein of the specific points at which these conditions exist is not possible. However, Protestants desire to introduce evidence on this point.

Account No. 6, Bridges, trestles and culverts; Account No. 16, Stations and office buildings; Account No. 17, Roadway buildings; Account No. 18, Water stations; Account No. 19, Fuel stations; Account No. 20, Shop and engine houses; Account No. 29, Power plant

building; Account No. 35, Miscellaneous structures.—Our investigations, which we have not had time to complete, indicate that insufficient depreciation has been deducted by the engineering section under each and every one of the above accounts. Protestants desire to introduce evidence in support of this objection.

Account No. 11, Ballast.—In the engineering report material has been classified as ballast, which does not serve as ballast but as earth. Protestants respectfully reserves the right to introduce evidence in this objection.

Account No. 26, Telegraph and Telephone Lines.—Protestants object to allowing each and every carrier named in the tentative valuation the cost of reproduction on telegraph and telephone property, which are neither owned nor used by the carrier for their purposes as common carriers.

Account No. 71, Organization expenses; Account No. 72, General officers and clerks; Account No. 73, Law; Account No. 74, Stationery and printing; Account No. 75, Taxes; Account No. 77, Other expenditures; General.—Protestants object to the respective allowances under each of the above accounts and charge that they are excessive, respectfully reserving the right to introduce testimony thereof. Particularly is objection made to any allowance whatever under account No. 75, taxes during construction.

Account No. 76, Interest During Construction.—Protestants object to the allowance under this head, alleging that the period for which interest has been allowed in the Engineering report is more than adequate for the construction of the Rock Island system and more than adequate for the construction of all the Rock Island lines [fol. 473] and affiliate companies in the state of Iowa.

Lands

Normal Land Values.—Protestants object to the land values as shown in the land report, alleging that an excessive total amount has been allowed for the land within the State of Iowa, and alleging that excessive units of value have been allowed in said land report for certain zones which are shown in an exhibit hereto attached, marked Exhibit "A," and by this reference made a part hereof as much as though fully set out herein, the amount of such excessive units being stated in said Exhibit.

Classification of Lands.—Protestants object to the total amount of land shown in the land report as owned and used by the carrier and its affiliated companies for its purposes as a common carrier, and specifically to the zones shown on Exhibit "B" which is hereto attached and by this reference made a part hereof, the exact areas being stated in such exhibit.

Protestants allege that they have not had sufficient time to complete the work on lands and respectfully ask that they be allowed to add to Exhibits "A" & "B" above referred to by filing an amendment before the hearings setting out other zones in which the same conditions may be found to exist.

Excess Cost of Acquisition of Lands.—Protestants object to the

amount shown in the tentative valuation as excess cost of acquisition [fol. 474] of lands. Protestants allege that the amount so shown are far in excess of any actual amount which would have to be expended in reacquiring the carriers rights of way. Objection is also made to the methods employed in arriving at said excess costs of acquisition.

Protestants further allege that the allowance of any sum whatever as excess cost of land acquisition is unwarranted, either as an economic or a legal proposition.

Protestants respectfully reserve the right to introduce testimony on all objections above specified under the heading "Lands."

All of which is respectfully submitted.

Dated October 8th, 1921.

The Iowa Railroad Commission, By J. A. Ralls, Valuation
Counsel, Des Moines, Iowa.

Wright County

Valuation Section 33

Zone	Area	I. C. C. unit	I. C. C. value	Iowa unit	Iowa value
5	7.70	325.	2,502.50	300.	2,310.
8	5.36	375.	2,010.	365.	1,956.40
11	3.79	2,500.	9,475.	2,280.	8,641.00
16	5.14	800.	4,112.	760.	3,855.
17	4.17	300.	1,251.	250.	1,012.50

Butler County

Valuation Section 35

98	14.35	450.	6,457.50	255.	3,659.25
105	6.25	425.	2,047.75	360.	2,242.80
108	122,400.	229	28,029.60	216	26,438.408
N. C.	39,300.	.....	.....	375	14,737.508
N. C. A.	20,000.	.....	.....	357	1,140.008
109	131,580.	115	15,137.70	103	9,605.34

* The value established applies to the whole zone from which should be deducted the N. C. Values for net value of carrier land.
(26,438.40 - 15,877.50 = 10,560.90) = the value of carrier land in the zone.

EXHIBIT "A"—Continued

Palo Alto County

Valuation Section 39

Zone	Area	I. C. C. unit	I. C. C. value	Iowa unit	Iowa value
45	4.35	1,875.	8,175.	1,000.	4,350.
48	8.45	150.	1,267.50	125.	1,056.25
53	3.99	300.	1,197.	400.	1,596.

Emmett County

Valuation Section 41

8	7.43	400.	2,972.	300.	2,220.
13	2.76	600.	1,656.	430.	1,186.80
14	4.62	215.	983.30	150.	603.

[fol. 476]

Emmett County

Valuation Section 39

61	3.82	225.	859.50	200.	764.
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Emmett County

Variation Section 40

1	2.95	365.	1,076.75	175.	516.25
2	6.25	475.	2,908.75	300.	1,875.
3	3.81	725.	2,762.25	365.	1,390.65
5	4.71	2,200.	10,362.	2,025.	9,537.75
7	8.83	1,000.	9,830.	875.	8,601.25
8	.34	450.	153.	375.	127.50
10	1.72	400.	688.	275.	475.

Bachman County

Valuation Section 33

25	3.01	500.	1,505.	375.	1,128.75
26	1.084	3,485.	3,777.74	1,150.	1,246.60
27	5.64	800.	4,512.	650.	3,666.
32	5.44	2,613.	14,214.72	2,300.	12,512.

Worth County

Valuation Section 35

136	22,500.	.1148	2,583.	.09	2,023.
137	127,500.	.0574	7,318.50	.05	6,373.

"Exhibit 'A'"—*Continued*

Worth County

Valuation Section 54

Zone	Area	I. C. C. unit	I. C. C. value	Iowa unit	Iowa value
2	35.73	250.	8,932.50	200.	7,145.

Madison County

Valuation Section 8

26	6.32	1,840.	11,628.80	350.	2,312.
27	95,250.	.035	9,048.75	.0385	5,572.13
28	4.78	1,840.	8,795.20	625.	2,781.50
29	4.93	600.	2,958.	360.	1,774.80

[fol. 477]

Dallas County

Valuation Section 8

12	10.76	110.	1,183.60	50.	538.
17	4.44	1,955.	8,591.40	1,250.	5,550.
18	3.38	300.	1,014.	250.	845.80
19	20.46	140.	2,864.40	100.	2,046.
33	66,900.	.012	8,028.	.077	5,151.30
34	2.24	1,730.	3,942.40	800.	1,792.

"EXHIBIT 'A'"—*Continued*

Zone	Area	Oscoda County			
		Valuation Section 40			
		I. C. C. unit	I. C. C. value	Iowa unit	Iowa value
53	12.80	360.	3,840.	275.	3,520.
Oscoda County					
Valuation Section 49					
63	18.23	130.	2,369.90	125.	2,278.75
70	15.97	200.	3,194.	150.	2,395.50
Cass County					
Valuation Section 8					
66	5.87	675.	3,962.25	350.	2,054.50
71	1.83	800.	1,464.	400.	732.00
73	4.98	1,435.	7,146.30	1,395.	6,947.10
80	1.93	425.	820.25	175.	337.75
Calhoun County					
Valuation Section 49					
11	1.33	350.	465.50	200.	265.
12	8.21	500.	4,105.	200.	1,642.
13	3.34	900.	3,006.	675.	2,254.50
14	3.17	550.	1,743.50	450.	1,426.50
15	2.54	450.	1,143.	300.	900.60
16	2.55	370.	860.50	225.	578.25

Madison County

Valuation Section 52

26	8.21	265.	2,175.65	135.	1,108.35
22	37.21	140.	5,269.40	100.	3,721.
23	22.80	200.	4,560.	150.	3,420.
24	2.	725.	1,450.	425.	850.

Jasper County

Valuation Section 13

1	.28	1,785.	499.80	1,250.	350.00
6	47.18	175.	8,256.50	125.	5,897.50
10	7.18	1,625.	11,667.50	635.	4,639.30
14	1.44	300.	432.	260.	374.40

Jasper County

Valuation Section 47

135	8.07	300.	2,421.	200.	1,614.
139	3.20	675.	2,160.	625.	2,000.
140	7.07	3,400.	9,898.	915.	6,469.05
142	71.84	185.	13,290.40	180.	12,931.20

Hardin County

Valuation Section 55

50	40.50	170.	6,885.00	150.	6,075.00
54	7.26	600.	4,356.00	515.	4,174.50
64	2.86	1,250.	3,575.00	625.	1,787.50

"Exhibit 'A'"—*Continued*

[Vol. 479]

Franklin County

Valuation Section 35

Zone	Area	L. C. C. unit	L. C. C. value	Lowa unit	Lowa value
70	4.47	185.	826.95	140.	625.80
72	8.73	150.	1,309.50	125.	1,001.25
76	6.60	1,000.	6,000.00	300.	1,980.00
78	2.40	800.	1,920.00	375.	900.00

Benton County

Valuation Section 35

10	6.49	600.	3,804.	400.	2,596.
11	2.50	200.	500.	175.	475.50
12	3.50	300.	1,050.	260.	910.
16	3.48	225.	783.	170.	591.60
17	2.53	1,000.	3,795.	600.	1,518.
18	2.02	1,750.	3,535.	1,030.	2,080.60
20	51.453.	.0825	4,244.73	.07	3,601.71
21	10,269.	.20	2,053.80	.13	1,334.97
23	.69	1,750.	1,207.50	1,725.	1,190.25
28	11.04	125.	1,380.00	100.	1,104.

Webster County

Valuation Section 49

2	5.92	210.	1,243.	200.	1,124.
3	4.50	190.	855.	125.	832.50

Floyd County

Valuation Section 35

125	6.62	1,200.	7,944.	425.	2,813.50
124	.66	1,800.	1,188.	1,600.	990.
123	1.43	1,600.	2,288.	1,300.	1,859.
122	.75	800.	600.	484.	363.
120	71.46	145.	10,361.	120.	8,575.

Pocahontas County

Valuation Section 49

25	5.75	250.	1,445.	215.	1,242.70
26	1.93	1,500.	2,895.	200.	386.
27	4.67	2,000.	9,340.	1,075.	5,020.25
28	1.57	1,250.	1,962.50	480.	733.60
30	1.90	325.	617.50	250.	475.
38	8.65	400.	3,460.	280.	2,422.
37	10.69	200.	2,138.	130.	1,329.70

[fol. 480]

EXHIBIT "B."

Part of zone 108, valuation section 35, Butler County, should have been classified as zone N. C. 108, area 39,300 sq. ft., value \$14,737.50, also part of same zone 108, should have been classified as zone N. C. A. 108, area 20,000 sq. ft., value \$1,140.00. Total value of re-classified portion of zone 108, \$15,877.50, which deducted from the total value of zone 26438 leaves a balance of \$10,560.90, the value of the carrier land in the zone, compared with the I. C. C. value of \$28,029.60.

Part of zone 31, valuation section 4, Iowa County, should have been classified as non-carrier land, area 1.44 acres, value \$1,008.00, which deducted from the total value of the zone \$4,960.00 leaves a balance of \$3,952.00, the value of the carrier land in the zone compared with the I. C. C. value of \$6,510.00.

Part of zone 83, valuation section 4, Jasper County, should have been classified as non-carrier land, area 1.08 acres, value \$6,480.00, which deducted from the total value of the zone \$7,328.25, leaves a balance of \$848.25, the value of the carrier land in the zone compared with the I. C. C. value of \$13,095.00.

Part of zone 84, valuation section 4, Jasper County, should have been classified as non-carrier land, area 31.120 sq. ft., value \$8,091.20, which deducted from the total value of zone \$13,170.20 leaves a balance of \$5,079.00, the value of the carrier land in the zone compared with the I. C. C. value of \$9,156.30.

Part of zone 85, valuation section 4, Jasper County, should have been classified as non-carrier land, area .65 acres, value \$1,690.00, which deducted from the total value of zone \$4,402.50 leaves a balance of \$2,712.50, the value of the carrier land in the zone compared with the I. C. C. value of \$4,366.25.

[fol. 481]

EVIDENCE: EXHIBIT A

(Copy)

Assessed Value Chicago, Rock Island & Pacific Railway

1913	.....	\$64,344,361.00
1914	.....	68,293,155.00
1915	.....	68,293,155.00
1916	.....	65,041,875.00
1917	.....	68,272,385.00
1918	.....	68,272,385.00
1919	.....	68,272,385.00
1920	.....	68,272,385.00
1921	.....	68,272,385.00
1922	.....	66,950,984.00

I, E. May Sweany, 2nd Asst. Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of the property of The Chicago, Rock Island

& Pacific Railway Company in Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Seal of Executive Council.)

[Fol. 482]

EVIDENCE: EXHIBIT A-1

(Copy)

Physical Value

Fitch Letter and Tabulation

[fol. 483] STATE OF IOWA,

Polk County, ss:

We, Ben J. Gibson, Attorney General of the State of Iowa, and C. B. Ellis, Statistician for the Board of Railroad Commissioners of the State of Iowa, being first duly sworn on oath depose and state that the attached is a true and correct copy of the original letter received from L. C. Fritch, Vice-President of the Chicago, Rock Island and Pacific Railway Company, dated September 13, 1921, and also of the final summary sheet enclosed as a part of said letter, as the same was received and placed on file in the office of the Board of Railroad Commissioners of the State of Iowa. We further state that we have made due, diligent and timely search for the original of said letter and summary but have been unable to find same in time to present to this court, and that, therefore, a true and correct copy of such original is submitted, all of which is true and correct.

(Sgn.) Ben J. Gibson. (Sgn.) C. B. Ellis.

Subscribed and sworn to before me by Ben J. Gibson and C. B. Ellis this 23 day of October, 1922. (Sgn.) Winogene Hebbs. (Seal.)

[fol. 484]

August 23, 1921.

Mr. J. E. Gorman, President Chicago, Rock Island & Pacific Ry. Co.,
Chicago, Illinois.

DEAR SIR:

Will you please furnish this Commission the value of your Investment in Road and Equipment, for the State of Iowa, as furnished to the Bureau of Valuation of the Interstate Commerce Commission.

Thanking you in advance for this favor, I am

Very truly yours, ———, Secretary. CBE:J.

[fol. 485] The Chicago, Rock Island and Pacific Railway Company
Construction, Maintenance, and Capital Expenditures Department.

L. C. Fritch, Vice-President

Chicago, September 13, 1921.

Mr. Geo. L. McCaughan, Secretary the Board of Railway Commissioners, Des Moines, Iowa.

DEAR SIR:

Replying to your letter of August 23 addressed to Mr. J. E. Gorman, President, which has been referred to me for attention:

I am sending you herewith statement of investment in roadway and equipment of our Company in the State of Iowa. The figure of \$21,262,521 shown on this report for reproduction cost of land is a tentative figure determined by the Interstate Commerce Commission and is subject to revision after the Railway Company's Real Estate & Tax Department has completed its investigation of reproduction cost of land.

The figures shown for equipment were arrived — by percentage of the state miles to the system miles for each class of equipment.

I trust this is the information you desire.

Very truly yours, (Signed) L. C. Fritch. Enc.



[fol. 486]

Final Summary Sheet

State of Iowa

Railroad Appraisal—June 30th, 1915.

Owner: Various Corporate Lines.

Operating Company: Chicago, Rock Island & Pacific Ry. Co.

Section No.: All Sections.

From ——— to ———.

Roadway:

Main Line—Miles Single Track, 2, 219.149; Miles 2nd Main Track,—.

Branch Lines—Miles Single Track,—; Miles 3rd Main Track,—.

Total Miles Roadway,—; Miles 4th Main Track,—.

Total Miles all Track,—; Miles Spurs, Sidings and Industry Tracks, 680.501.

Road: —.

I. C. C.
acct. No.

Subject

1	Engineering	3,405,012
2	Land for Transportation Purposes.....	21,262,521
3	Grading	17,567,778
4	Underground Power Tubes.....	
5	Tunnels and Subways.....	
6	Bridges, Trestles and Culverts.....	11,332,760
7	Elevated Structures	
8	Ties	8,487,686
9	Rails	10,257,527
10	Other Track Material.....	2,473,228
11	Ballast	5,780,569
12	Track Laying and Surfacing.....	6,386,069
13	Right-of-Way Fences.....	998,728
14	Snow and Sand Fences and Snowsheds.....	87,634
15	Crossings and Signs.....	881,368
16	Station and Office Buildings.....	3,281,645
17	Roadway Buildings	194,977
18	Water Stations.....	776,143
19	Fuel Stations.....	225,530
20	Shops and Enginehouses.....	1,486,572
21	Grain Elevators.....	20,429
22	Storage Warehouses.....	
23	Wharves and Docks.....	
24	Coal and Ore Wharves.....	
25	Gas Producing Plants.....	
26	Telegraph and Telephone Lines.....	467,327
27	Signals and Interlockers.....	1,049,733
28	Power Dams, Canals and Pipe Lines.....	
29	Power Plant Buildings.....	76,147
30	Power Substation Buildings.....	
31	Power Transmission Systems.....	
32	Power Distribution Systems.....	13,373
[fol. 487] .		
33	Power Line Poles and Fixtures.....	
34	Underground Conduits.....	
35	Miscellaneous Structures.....	
36	Paving	10,102
37	Roadway Machines.....	44,864
38	Roadway Small Tools.....	23,854
39	Assessments for Public Improvements.....	328,392
40	Revenues and Operating Expenses during construction	
41	Cost of Road Purchased.....	
42	Reconstruction of Road Purchased.....	
43	Other Expenditures—Road.....	110,848
44	Shop Machinery.....	312,540

L. C. C. acct. No.	Subject	
45	Power Plant Machinery.....	96,243
46	Engineering Instr.....	3,412
47	Unapplied Construction Material and Supplies.....	
48	Adaptation, Solidification & Seasoning.....	3,795,958
	Total	\$101,238,069
	Equipment:	
51	Steam Locomotives.....	7,165,065
52	Other Locomotives.....	
53	Freight-Train Cars.....	11,038,328
54	Passenger-Train Cars	2,612,584
55	Motor Equipment of Cars.....	
56	Floating Equipment.....	
57	Work Equipment.....	1,165,630
58	Miscellaneous Equipment.....	
	Total	21,981,607
	General Expenditures:	
71	Organization Expenses.....	
72	General Officers and Clerks.....	
73	Law	3,064,985
74	Stationery and Printing.....	
75	Taxes	
76	Interest During Construction.....	7,681,579
77	Other Expenditures—General.....	
78	Contingencies	3,622,362
	Total	14,338,922
	Grand Total.....	137,557,698
	Average Cost Per Roadway Mile.....	61,986.68
	Average Cost Per Mile All Tracks.....	

[fol. 488]

EVIDENCE: EXHIBIT B-1

(Copy)

Assessed Value of All Farm Lands

1913	\$2,276,108,116.00
1914	2,280,571,328.00
1915	2,313,303,936.00
1916	2,332,348,452.00
1917	2,348,372,196.00
1918	2,351,182,964.00
1919	2,627,598,052.00
1920	2,637,360,820.00
1921	2,633,893,939.00
1922	2,633,893,939.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all farm lands in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 489]

EVIDENCE: EXHIBIT B-2

(Copy)

Assessed Value Town Lots

1913	\$646,025,203.00
1914	641,461,848.00
1915	667,608,937.00
1916	684,114,278.00
1917	721,730,880.00
1918	749,416,536.00
1919	785,782,607.00
1920	801,756,944.00
1921	866,429,042.00
1922	872,242,893.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of town lots in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 490]

EVIDENCE: EXHIBIT B-3

(Copy)

Assessed Value Bank Stock

1913	.....	\$59,956,973.00
1914	.....	63,301,915.00
1915	.....	69,212,104.00
1916	.....	67,816,506.00
1917	.....	64,593,450.00
1918	.....	73,939,505.00
1919	.....	48,187,476.00
1920	.....	50,908,146.00
1921	.....	106,318,723.00
1922	.....	84,970,710.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all the bank stock in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 491]

EVIDENCE: EXHIBIT B-4

(Copy)

Assessed Value Live Stock

1913	.....	\$217,591,426.00
1914	.....	242,703,586.00
1915	.....	253,631,172.00
1916	.....	264,497,977.00
1917	.....	281,966,560.00
1918	.....	361,816,512.00
1919	.....	380,577,400.00
1920	.....	344,414,603.00
1921	.....	253,939,053.00
1922	.....	204,059,267.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all the live stock in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original

records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 492]

EVIDENCE: EXHIBIT B-5

(Copy)

Assessed Value Transmission Lines

1921	\$4,705,880.00
1922	5,184,746.64

I, E. Mae Sweany, 2nd Asst. Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all transmission line property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 493]

EVIDENCE: EXHIBIT B-6

(Copy)

Assessed Value Telegraph and Telephone

1913	\$18,422,000.00
1914	18,860,758.00
1915	20,529,308.00
1916	20,678,400.00
1917	21,871,832.00
1918	22,482,776.00
1919	23,530,692.00
1920	24,314,748.00
1921	32,310,912.00
1922	29,359,322.00

I, E. Mae Sweany, 2nd Asst. Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all telegraph and telephone property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 494]

EVIDENCE: EXHIBIT B-7

(Copy)

Assessed Value Express Property

1913	\$1,490,836.00
1914	1,205,548.00
1915	1,249,356.00
1916	1,249,336.00
1917	1,243,844.00
1918	1,238,408.00
1919	1,239,688.00
1920	1,236,400.00
1921	1,323,332.00
1922	1,305,537.12

I, E. Mae Sweany, 2nd Asst. Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all express property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 495]

EVIDENCE: EXHIBIT B-8

(Copy)

Assessed Value of All Other Property, Including Moneys and Credits, Excluding Railroad Property and Farm Lands

1913	\$626,042,452.00
1914	361,325,156.00
1915	376,176,402.00
1916	417,751,273.00
1917	450,859,432.00
1918	559,194,080.00
1919	606,757,876.00
1920	837,195,209.00
1921	883,055,497.00
1922	855,467,828.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all other property, including moneys and credits, in the State of

Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 496]

EVIDENCE: EXHIBIT B-9

(Copy)

Assessed Value Railroad Property

1913.....	\$320,426,884.00
1914.....	321,664,008.00
1915.....	324,600,368.00
1916.....	324,600,380.00
1917.....	325,753,908.00
1918.....	325,445,892.00
1919.....	324,857,796.00
1920.....	326,958,204.00
1921.....	329,974,735.20
1922.....	326,621,939.00

I, E. Mae Sweany, 2nd Asst. Secretary of the Executive Council of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the records of the proceedings of the Executive Council of the State of Iowa, and are as full, true and complete as the original records thereof now on file in my office in the City of Des Moines, Iowa.

(Sgd.) E. Mae Sweany, 2nd Ass't Secretary of the Executive Council of the State of Iowa. (Executive Council's Seal.)

[fol. 497]

EVIDENCE: EXHIBIT B-10

(Copy)

Assessed Value of All Property Except Farm Land and Railroad Property

1913.....	\$1,249,102,006.00
1914.....	1,328,798,811.00
1915.....	1,388,407,279.00
1916.....	1,456,107,770.00
1917.....	1,542,265,998.00
1918.....	1,768,087,817.00
1919.....	1,846,075,739.00
1920.....	2,059,826,050.00
1921.....	2,148,081,434.00
1922.....	2,152,590,303.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property except farm lands and railroad property, in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 498]

EVIDENCE: EXHIBIT B-11

(Copy)

Assessed Value of All Property Except Railroad Property

1913.....	\$3,553,632,382.00
1914.....	3,636,154,538.00
1915.....	3,735,532,144.00
1916.....	3,809,941,970.00
1917.....	3,885,086,617.00
1918.....	4,119,309,290.00
1919.....	4,477,992,626.00
1920.....	4,712,590,188.00
1921.....	4,781,975,378.00
1922.....	4,786,484,242.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property except railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made to the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 499]

EVIDENCE: EXHIBIT B-12

(Copy)

Assessed Value of All Property, Including Railroad Property

1913.....	\$3,874,059,266.00
1914.....	3,957,818,546.00
1915.....	4,060,132,512.00
1916.....	4,134,542,350.00
1917.....	4,210,840,525.00
1918.....	4,444,755,182.00
1919.....	4,802,850,422.00
1920.....	5,039,548,392.00
1921.....	5,111,950,113.00
1922.....	5,113,106,181.00

I, Glenn C. Haynes, Auditor of State of the State of Iowa, hereby certify that the above and foregoing figures show the assessed values of all property, including railroad property in the State of Iowa for the years indicated, and that the facts and figures therein contained were compiled from the reports of the respective counties required by law to be made by the Auditor of State, and are as full, true and complete as the original records thereof now on file in my office in the city of Des Moines, Iowa.

(Sgd.) Glenn C. Haynes, Auditor of State. (Auditor's Seal.)

[fol. 500]

EVIDENCE: EXHIBIT C

The Chicago, Rock Island and Pacific Railway Company

Office of

The Chairman of the Board of Directors

25 Broad Street, New York

January 7, 1922.

To the Stockholders:

The paramount importance of the transportation problem makes it proper again to call to your attention certain phases of that problem directly affecting your interest as stockholders of this Company, and as citizens of the United States.

1. The Federal Valuation:

After six years' work the tentative valuation of your Company's properties was announced by the Interstate Commerce Commission in September at approximately \$335,500,000, as of June 30, 1915. This is for carrier property only.

In order to make a comparison of the value announced by the Commission with the Company's present capitalization, it is necessary to exclude the value of certain leased lines whose capital stock is not entirely owned by this Company and to bring the figures down to date by adding additions and betterments since the date of valuation. So stated, the comparison is as follows:

Physical Property as of June 30, 1915, as Announced by Commission

(a) Carrier property (C. R. I. & P., C. R. I. & G., and Morris Terminal)	\$335,539,013
(b) Non-carrier property	5,445,895
Total	\$341,284,908

From the foregoing should be excluded the values of the following leased lines, which are not controlled through the ownership of entire capital stock:

Keokuk & Des Moines	\$3,464,958
Peoria & Bureau Valley	1,650,000
White & Black River	700,000
	<hr/> 5,814,958

Balance, excluding these lines

\$335,469,950

There should also be deducted Cash and Materials on hand June 30, 1915, as found by the Commission, ..	9,022,288
Remainder, representing physical property owned directly or through stock ownership, as of June 30, 1915, as found by Commission	\$326,447,662
Add: Additions and betterments July 1, 1915, to June 30, 1921	36,374,458
Cash and materials, June 30, 1921	25,455,222
Total, June 30, 1921	<hr/> \$388,277,342

Liabilities June 30, 1921, According to Company's Books

Long term debt	\$234,505,515
Loans and bills payable	14,930,000
Preferred stock	54,557,989
Total capital liabilities ahead of Common Stock	<hr/> \$303,993,504
Common Stock outstanding	74,482,523
Total capital liabilities	<hr/> \$378,476,027

Amount by which minimum value as found by Commission exceeds total capital liabilities as of June 30, 1921	\$9,801,315
Amount of equity represented by Common Stock (difference between property values of \$388,277,342 and total of senior obligations)	84,283,838
Same per share of \$74.482,523 of Common Stock, ...	\$113.16

This valuation, officially determined by the United States Government, refutes for all time and for all purposes the suggestion some-[fol. 500¹/₂] times made by the uninformed, that this Company is overcapitalized. We regard the valuation established by the Commission as being much less than the actual value of the property, and have filed the protest contemplated by law in the hope that, upon a hearing, the Commission will substantially increase its valuation; but, even on the Commission's minimum basis, this valuation must be taken as establishing a property value behind our stocks and bonds, much in excess of their par value.

2. The Rate of Return under the Transportation Act:

The Act of 1920, as you will recall, placed upon the Interstate Commerce Commission the duty of so adjusting rates as to provide a fair return "as nearly as may be" upon the aggregate value of the property of the carriers embraced in groups to be fixed by the Commission; for the two years ending February 28, 1922, this return was fixed at 5¹/₂ per cent, with an additional half of one per cent for a capital requirements fund. Thereafter the rate is to be fixed by the Commission, which is now holding hearings at Washington, to determine, among other things, what shall be the rate of return after March 1, 1922.

On account of the general business depression which has existed in the country during the last year, the rates fixed by the Commission have failed by a very substantial sum to produce the return contemplated by the Transportation Act. For instance, the earnings of your property for the year ending September 30, 1921, were \$8,890,000 short of being 6 per cent upon its property investment, and your property's earnings were better than the average in the group in which it was placed. Notwithstanding this fact, many substantial reductions in rates have been made by the carriers in the country, partly under order of the Commission, and partly voluntarily, with the idea that a reduction in rates would in some degree promote the movement of traffic. Unless the effect of these rate reductions is counterbalanced by an increase in traffic, it is reasonable to anticipate a substantial reduction in the Company's net revenues in the coming year, because the reductions ordered by the Commission in one case alone (the hay, grain and grain products case, I. C. C. docket No. 12929) will amount in the case of the Rock Island to \$3,500,000 a year, all of which comes out of net revenue.

Consequently, it is of the utmost importance to you, as stockholders of this Company, as well as to the public at large, that the Commis-

sion shall not reduce the rate of return below the existing standard. In view of the fact that the Government itself is now charging us 6 per cent upon money loaned to us for additions and betterments, it would seem that the Commission will have little ground for reducing this rate, but nevertheless it is being urged to reduce it. A decision is expected about March 1.

Of equal importance is the danger that Congress may repeal that section of the Transportation Act which imposes this duty upon the Commission. While the responsibility of fixing rates to provide a fair return was on the Commission even under the old law, there was no specific mandate to this effect, and it is very important that the positive direction contained in the Transportation Act should not be disturbed. You will recall our attitude upon this question two years ago, and we are more than ever of the belief we expressed to you then, namely, that this positive requirement of the Transportation Act is most desirable. We, therefore, suggest, if you agree with us, that you make your position clear to your Representatives in Congress.

3. Labor Conditions:

The great obstacle to a further reduction of rates is the cost of labor. The Labor Board has made substantial reductions in the last few months, which were anticipated, however, in the reductions of rates mentioned above. The carriers now are proceeding to ask for additional reductions, which will have to be made if the labor cost of transportation is to be reduced to a basis comparable to that in other industries. For instance, unskilled labor is now costing the railroads approximately 40 cents an hour, which is a uniform rate for all portions of our system; whereas at many points on our road the current rate for unskilled labor in industrial occupations is 22 cents to 30 cents an hour. The Labor Board also has eliminated some of the burdensome rules left in force by the Railroad Administration, though not to the extent hoped for by the carriers. Many classes of work are still performed by unskilled labor, classified as mechanics or in other classifications taking higher pay.

We must not be understood as objecting to fair pay for our employees; but the country is in a process of post war liquidation. Railroad investors, as a class, received probably less of an increase in their return as a result of high war prices than any other element in the community, whereas railroad labor was very handsomely treated by the Government acting through the Railroad Administration. The stockholders are now doing their full part in the process of deflation by accepting substantial reductions in income, and it is only equitable that labor, which profited so largely, also should contribute to the process.

There has been much discussion in the public press of the Labor Board and its usefulness. Your Directors are firmly of the opinion that the Labor Board is an excellent institution, because it places labor costs under the control of a public body. Sooner or later the public will come to realize that its decrees have the force of law, and public sentiment will not support an attempt to settle any labor

controversy otherwise than through its processes. In addition, the Government itself cannot in fixing rates ignore the wage costs determined by a tribunal of its own making. The whole Transportation Act is new, and it can hardly be said to have had a thorough trial; and particularly is this the case with these provisions relating to the Labor Board.

[fol. 501] State-made Rates:

A bill is pending in the United States Senate (Senate Bill 1150), introduced by Senator Capper of Kansas, which, if passed, will undo a large part of the good accomplished by the Transportation Act, and constitute a long step backward in railway regulation. Its purpose is not only to repeal the section of the Interstate Commerce Act requiring the Commission to fix rates at a prescribed level, but to deprive the Interstate Commerce Commission of all jurisdiction over rates within a State, no matter how seriously such rates may discriminate against the interstate rates. The effect would be to give every State commission practically exclusive jurisdiction over rates within the State, with no remedy whatever to the carriers to protect the revenues provided by the Transportation Act, and as a result which may be forecast by reference to the long series of adverse State regulations beginning in 1907, and ending in the cataclysm of Federal control. A similar bill is pending in the House of Representatives.

The officers of this Company are pleased at all times to advise you concerning its affairs. We are closing a fairly successful year. Indications are that our return in 1921 will be between \$16,000,000 and \$17,000,000, which is sufficient for all fixed charges and the full dividends on our preferred stocks, with a margin of about 3 per cent for our common stock; whereas 6 per cent on the fair value of our property is, on the Government's own figures, not less than \$22,000,000.

We call these things to your attention, because it is to your interest as a stockholder, as well as to the interest of the public, that railroad credit shall be maintained. As we have pointed out in former communications, it is essential that the public shall have such confidence in the railroad managements, and in the way in which the railroad problem is being handled by the Government, that it will be willing to provide on favorable terms the new capital, which is necessary not only to protect the existing investments but to finance the inevitable expansion of our transportation system.

The Rock Island should be financed by increasing the number of its partners rather than by increasing the number of its creditors, that is, with stock rather than with bonds. This means that we must be allowed a more liberal basis of earnings than a maximum which merely yields the cost of operation plus the going rate for borrowed capital and leaves the risk with the investor. It is obvious that such a limited return will not allow any railway company to attract necessary capital in competition either with tax-free public securities or with industrial stocks which offer equal security with a much

larger opportunity for profit, no greater risk and a freedom from the depression of constant regulation.

This problem is of vital and immediate consequence to every stockholder, for so long as the Rock Island must finance its improvements and extensions through a constant increase of its debt, carrying a fixed charge, both the market value of your holdings and the return, which you can hope to realize thereon, are bound to diminish.

These elementary propositions are so simple that they are often forgotten by those who are charged with public duties concerning the railroads, and yet the public will suffer most if they are ignored. With every phase of a railroad's operations and financing regulated to the point of suffocation and with the public interest overguarded at every turn, it ought to be clear to those in charge of our national policies that there can be no danger in treating a railroad like any other business enterprise and allowing it a return which will attract new capital; and that the failure to do this means the failure of private ownership and the breakdown of our transportation system.

By order of the Board of Directors, Charles Hayden, Chairman.

[fol. 502]

EVIDENCE: EXHIBIT D

BEFORE THE INTERSTATE COMMERCE COMMISSION

Valuation Docket 152

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY et al.

Joint and Several Protests

Filed by

The Chicago, Rock Island and Pacific Railway Company,
The Keokuk & Des Moines Railway Company,
Choctaw, Oklahoma & Gulf Railroad Company,
Rock Island, Arkansas & Louisiana Railroad Company,
St. Paul & Kansas City Short Line Railroad Company,
Rock Island & Dardanelle Railway Company,
Rock Island, Stuttgart & Southern Railway Company,
Rock Island Memphis Terminal Railway Company,
The Peoria & Bureau Valley Railroad Company,
White and Black River Valley Railway Company,
The Chicago, Rock Island and Gulf Railway Company,
Morris Terminal Railway Company.

M. L. Bell, W. F. Dickinson, W. F. Peter, Counsel for Above-named Carriers.

[fol. 503] BEFORE THE INTERSTATE COMMERCE COMMISSION

Valuation Docket 152

THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY;
Keokuk and Des Moines Railway Company; Choctaw, Oklahoma
and Gulf Railroad Company; Rock Island, Arkansas and Louisiana
Railroad Company; St. Paul and Kansas City Short Line Rail-
road Company; Rock Island and Dardanelle Railway Company;
Rock Island, Stuttgart and Southern Railway Company; Rock
Island Memphis Terminal Railway Company; The Peoria and
Bureau Valley Railroad Company; White and Black River Valley
Railway Company; The Chicago, Rock Island and Gulf Railway
Company; Morris Terminal Railway Company; and Chicago, Rock
Island and Pacific Railroad Company.

Joint and Several Protests

Filed by

The Chicago, Rock Island and Pacific Railway Company,
The Keokuk & Des Moines Railway Company,
Choctaw, Oklahoma & Gulf Railroad Company,
Rock Island, Arkansas & Louisiana Railroad Company,
St. Paul & Kansas City Short Line Railroad Company,
Rock Island & Dardanelle Railway Company,
Rock Island, Stuttgart & Southern Railway Company,
Rock Island Memphis Terminal Railway Company,
The Peoria & Bureau Valley Railroad Company,
White and Black River Valley Railway Company,
The Chicago, Rock Island and Gulf Railway Company,
Morris Terminal Railway Company.

To the Interstate Commerce Commission:

Now comes each of the corporations last above named, within the time specified in the report and order of the Interstate Commerce Commission, hereinafter referred to as the Commission, entered in the above matter on August 1, 1921, by Division 1 thereof, and make and file their joint and several protests to their respective Tentative Valuations set forth in said report and order of August 1, 1921, in- [fol. 504] cluding the Land, Engineering and Accounting reports referred to in said report and order.

For brevity, Section 19a of the Interstate Commerce Act (being the act of Congress approved March 1, 1913) is herein referred to as the act; June 30, 1915, is referred to as the valuation date, and the last above named corporations are collectively referred to as the Carriers, and each of them and their affiliated and predecessor companies are called by the short title given to them by the Commission in said report.

Special Ground of Protest of Carrier

The Chicago, Rock Island and Pacific Railway Company protests against and objects to the inclusion of the Tentative Valuation of the property of the Chicago, Rock Island and Pacific Railroad Company under Valuation Docket No. 152, and in the Order and Tentative Valuations embraced in and made a part of said Valuation Docket No. 152, for the reason that said Chicago, Rock Island and Pacific Railroad Company is not now and was not on valuation date an affiliated, predecessor, successor, or subsidiary corporation of the Carrier, or of any of the other corporations included in said Valuation Docket No. 152, and had no intercorporate relationship with the Carrier or any of its affiliated or subsidiary corporations which requires or justifies its inclusion in the valuation proceedings covering the properties of the Carrier and its affiliated and subsidiary companies. The Carrier further protests that such inclusion is harmful to it and misleading to the public, and is unwarranted by the facts, except with reference to certain property leased from said Chicago, Rock Island and Pacific Railroad Company by the Carrier.

[fol. 505]

Part First

Protest Against the Rules, Methods, and Principles Employed

The Carriers protest against said Tentative Valuations of their respective properties and allege that by reason of the form and manner of preparation thereof, the erroneous rules, methods and principles employed therein, and the errors and omissions in the report of the facts, each of said Tentative Valuations does not comply with the act, and should not be approved, either as the final valuation of the property covered thereby, or as the basis for a final valuation.

Value

The Carriers jointly and severally protest

1. That the reported values of their respective common-carrier properties have been determined arbitrarily and without proper consideration of all relevant facts, and are much less than the true values of all of said properties on valuation date. Such values, including working capital and supplies, determined in accordance with legal principles, were not less than the following:

The Chicago, Rock Island and Pacific Railway Company, and its subsidiary carriers (The Choctaw, Louisiana, Short Line, Dardanelle-Stuttgart, Memphis Terminal, Gulf and Morris)		\$5,250,000.000
The Keokuk		6,775,000
The Bureau Valley		3,000,000
The White River No. 2		1,250,000

[fol. 506] 2. That the Tentative Valuations fail to state:

(a) the elements constituting the values ascertained and reported therein,

methods of valuation employed in determining the values of the respective common-carrier properties and an analysis of such

as to what are the "other matters which appear to have a bearing upon the values here reported," referred to by the Commission,

(d) the amount of value attributed or assigned to "appreciation," "excess cost of the carrier lands" and "going concern value," respectively, by the Commission,

(e) the understanding or conception of the Commission as to the sense in which the term "value" is used in the Interstate Commerce Act, and the character of the value of the common-carrier properties found by the Commission.

3. That it is improper and useless now, or at any time hereafter, to make a final valuation of their respective common-carrier properties as of valuation date because a valuation made as of said date would not now, or at any time hereafter, serve any of the purposes of the Interstate Commerce Act, or any practical purpose whatsoever. Substantially all material and labor costs and land values have now reached a much higher level than existed upon the dates as of which the same were ascertained for the purpose of the Tentative Valuation, and said labor and material costs and land values as reported in the Tentative Valuation cannot now or hereafter be used to measure or determine the present cost of reproduction, or the present value, of said properties, and any value based thereon would be improper, erroneous and inadequate.

6. That the values of their respective properties have been determined [fol. 507] mined without reference to and without consideration of the value of the lands devoted to common-carrier purposes. The present value of carrier lands reported in said Tentative Valuation is the Commission's estimate of the acreage, or other unit, value of the lands adjacent thereto, applied to the carrier lands computed into acres, lots or other standard units, and is not their value. Such carrier lands, because of the small areas and peculiar shapes and location in which they were originally acquired and are now held, have a greater value, and could not be reacquired in a reproduction of the several railroads at their acreage, lot or other standard unit of value.

7. That the Tentative Valuations fail to state separately the other values and elements of value of the properties of the respective Carriers, which existed in respect thereof on valuation date.

8. That, with respect to the properties of each carrier, the cost of reproduction new, cost of reproduction less depreciation, so-called present value of land owned and used for common-carrier purposes,

and the original cost (or "recorded outlay" or "investment in road and equipment"), as set forth in the tentative valuation and the accompanying reports, are each improperly and illegally determined, and are less in amount than they should be because of mistakes, omissions and erroneous methods of determination; and to the extent that the values of the respective properties, set forth in the Tentative Valuations, are based on a consideration of the aforesaid reported costs, values, outlays and investments, or any of them, said values have been improperly and illegally determined and are inadequate.

Since the Commission states that the final values reported were found after careful consideration of the facts contained in the re-[fol. 508] spective Tentative Valuations, the carriers protest against the finding of their respective values upon said basis for the reason that said tentative Valuations and the reported facts therein contained are deficient and erroneous in many respects, as shown by the Carriers' protest thereto as herein specified.

9. That the respective final values should include, on account of working capital, material and supplies, and other current assets, not less than \$20,000,000 for The Chicago, Rock Island and Pacific Railway Company, and \$1,000,000 for The Chicago, Rock Island and Gulf Railway Company.

10. That the value of contracts, rights and privileges held, used and enjoyed by the respective Carriers for common-carrier purposes on valuation date; such as contracts or leases for the use of stations, terminals and terminal facilities, bridges, elevators, docks and wharves, refrigerator cars, telegraph lines, trackage and operating rights over the lines and facilities of other carriers and various of the rights of occupation and use are excluded from the Tentative Valuations.

11. That the determination of the present values of their respective lands as of June 30, 1915, is a discrimination against them because the values of the lands of certain other common carriers subject to the provisions of the Act are determined as of a later date, when land values generally had reached a higher level.

[fol. 509] Original Cost to Date, Investment in Road and Equipment, and Recorded Outlay.

The Carriers jointly and severally protest:

1. That the Tentative Valuations do not report the original cost to date of each of their respective common-carrier properties as a whole.

2. That in stating the recorded outlay or the costs of the various properties numerous substantial items have been omitted, as follows:

(a) Cost of properties paid for out of, or appropriated from, income.

(b) Costs whose exact amount is not ascertainable although the fact of the expenditure is established and the amount thereof can be fairly and reasonably ascertained.

(c) Cost to date of physical properties in use on valuation date (e. g. ties and rails), stating in lieu thereof the alleged cost of the original properties, which have been replaced from time to time in the process of maintaining the railroad by use of property of different character and value.

(d) Discounts, commissions and other expenses incurred of the several carriers in the issuance and sale of stocks, bonds and other securities disposed of for construction or acquisition purposes.

(e) The cost of property used for common-carrier purposes, contributed by others.

(f) The amount and value of the concessions and allowances made by the respective Carriers, or their predecessors, in consideration of the reported aids, gifts, grants and donations.

[fol. 510] (g) Interest on funds expended during construction; transportation cost of men and material in construction work; cost of adaptation, solidification and seasoning; engineering costs; cost of material and supplies and working capital, and many other items of actual cost in the production of the respective properties of the Carriers.

(h) The cost of the respective Carriers of developing their business.

3. That the statement in the Tentative Valuations and in the accounting report, of the investment in road and equipment of the respective Carriers, and the partial restatement thereof, are not required by the act and are not pertinent to the finding of value; and the reported investment in road and equipment of the respective Carriers is less than it should be.

4. That in restating the accounts of the respective Carriers to make them conform with the 1914 classification of accounts,

(a) the price paid by the respective Carriers for the purchase of property of constituent, predecessor, or other companies is eliminated, and the Commission's findings of the investment shown on the books of said predecessor, constituent or other companies is substituted therefor; and in those cases where such books cannot be found, the Commission has disallowed such purchase price.

(b) items are taken out of investment in road and equipment account, although properly placed there under accounting regulations or proper accounting principles, in force at the time the entries were made, and items properly chargeable to investment in road and

equipment under 1914 classification accounts, but not at the time of their entry charged to investment in road and equipment, are [fol. 511] not correspondingly restored by the Commission.

5. The Tentative Valuations omit expenditures made by the respective Carriers in acquiring interests in corporations owning common-carrier facilities for the use and benefit, in part, of the respective Carriers, which expenditures were made in order to furnish common-carrier facilities to the public.

[fol. 512]

Cost of Reproduction New

The Carriers jointly and severally protest:

1. That many items of property owned and used, owned but not used, and used but not owned, by them respectively, for common-carrier purposes, are excluded from the Tentative Valuation.

2. That the Tentative Valuations omit all costs of developing the common-carrier physical property beyond the initial cost of reproducing them new, and also omit the cost of developing the business of the respective carriers of the volume, extent and character existing on valuation date.

3. That the reported cost of reproduction new of their respective properties is inadequate in that it is limited to an estimate of the alleged costs of the bare, undeveloped physical property; whereas the Carriers were on valuation date developed and organized transportation agencies with an established business, whose physical properties were developed and adapted to the use to which they are devoted, to a greater extent than existed at the time when their original construction was completed. That costs are omitted which are naturally and inevitably incurred, and which were actually incurred by the respective Carriers, and which are in excess of and in addition to the engineering costs estimated for the physical property. That new railroads are operated at a deficit for a considerable period of time before traffic is built up and before maintenance and operating difficulties are overcome. In a normal program of reproduction this "development period" must be allowed for, and these development costs included. That on account of such omitted costs of reproduction, the properties of the Carriers as the same actually existed on [fol. 513] valuation date in a developed physical condition and with a developing business, there should be added to the reproduction costs for the specific accounts Nos. 1 to 77 inclusive, a sum not less than \$30,000,000. Inasmuch as the respective Carriers compose a single operating system, said cost is not apportioned among them.

4. That the Tentative Valuations omit items of cost not evidenced on valuation date by existing physical property, being costs incurred in the course of the original construction and subsequent development of the respective common-carrier properties and which would be incurred in reproducing the property, such as, to replace many grading quantities originally placed in embankments, but which, due to

settlement and other causes, have disappeared therefrom; to move highways or change the course thereof; to compensate abutting property owners for damages by reason of such changes; to alter the course of streams; to move buildings to new locations; to provide the necessary excessive maintenance during the early period of operation, and to meet substantial operating losses during certain periods.

5. That the Tentative Valuations, in respect of methods employed for determining cost of reproduction new, do not apply consistent rules or principles for the assumption of the conditions under which such reproduction shall be made, and do not consistently apply a given rule or principle to all instances requiring its application, so that the Carriers have been denied the benefits which would result from the application of such rule or principle in a given instance, although they may have received the disadvantages arising from its application in other instances.

6. That the allowance for contingencies is inadequate in that [fol. 514] many contingencies which must arise in reproducing the properties of the respective carriers, are wholly excluded, and the contingency quantities allowed in respect of certain items of property are insufficient.

7. That the Tentative Valuations omit both the amount actually paid and the amount which reasonably would have to be paid in reproduction for assessments for public improvements.

8. That the reported cost of reproduction new and cost of reproduction less depreciation of the properties of the respective carriers do not include certain costs incurred by the respective carriers which were expended on the rights of way of other railroad companies in connection with the crossings of the railroad of the respective carriers with such other railroad companies at grade, and over and under grade; and at the same time fail to include costs similarly incurred by other railroad companies which were expended on the rights of way of the respective carriers.

9. That the Tentative Valuations and the Engineering Report omit property in industrial tracks which was being used for common-carrier purposes on valuation date.

10. That the methods used in the Tentative Valuation for determining interest during construction are erroneous and result in the allowance of an amount substantially less than the true amount of interest which would have to be paid in the reproduction of the properties under valuation in that

(a) they do not establish a financial program such as would ordinarily be adopted to raise funds periodically in accordance with actual requirements, but assume distribution of monthly expenditures with comparative uniformity over the entire construction period;

[fol. 515] (b) the periods fixed for the allowance of interest during construction, namely: for roadway expenditures, one-half the construction period plus three months; for equipment expenditures, three months, are too short.

(c) no interest is allowed during construction on the expenditures for carrier land;

(d) a 6 per cent simple interest rate is insufficient to cover all costs of obtaining money, including discounts, commissions and money with which to pay interest during the construction period.

11. That the cost of reproduction new of items of property which on the date of valuation were in service in a different place or position from that in which they were originally installed, should not be determined by the use of prices reflecting depreciation.

[fol. 516] Cost of Reproduction Less Depreciation

The Carriers jointly and severally protest:

1. That each and every of the methods, rules and principles employed in the tentative valuations and engineering report for the determination of cost of reproduction less depreciation, and each and every of the reported results of their application are erroneous because:

(a) They do not determine actual depreciation but only theoretical depreciation;

(b) They are applied to the separate individual physical units comprising the common carrier property, whereas by the replacement method of maintenance there is not at any time any loss of service life of the carriers' properties as a whole or by classes;

(c) They result in an alleged amount of depreciation which is grossly excessive and inconsistent and is contrary to the fact that the properties of the respective Carriers are properly maintained and that there existed no deferred maintenance on valuation date;

(d) They provide for a depreciation of general expenditures, as stated in accounts 71 to 77, and such general expenditures are depreciated thereunder;

(e) They provide for the determination of and deduction of depreciation due to obsolescence and inadequacy, and provide no rule for determining the amount of this character of depreciation;

(f) They make no provision for the inclusion in cost of reproduction less depreciation of any amount whatsoever for appreciation either as an added value or as an additional cost of reproduction, contrary to the fact that the roadbeds of the respective Carriers on valuation date were well maintained, solidified and adapted and were of greater value than new roadbeds;

(g) They make no provision for excluding that portion of such so-called depreciation as will necessarily accrue during a proper construction period, and during a proper subsequent development period.

2. That if it be ultimately decided that depreciation be determined by reference to the estimated expired service life of the various units of railroad property, the determination thereof should be not by the straight-line method, which is employed in the Tentative Valuations, but should be made in accordance with the sinking fund method, that is, the determination of the present value of the sum of money which must be expended from time to time in the future when and as the various items of property shall have become worn out, to meet the cost of renewing or replacing said items.

3. That in no event should the depreciation be determined as of June 30, 1915, because since said date substantially all of the properties of the respective Carriers have had the units constituting the same replaced with new units and there has been expended upon such properties for maintenance, repairs and renewals a larger amount of money than was necessary merely to maintain the same degree of upkeep and condition which existed on valuation date; so that there is a larger period of service life remaining in the units of property now in place than there were in the units similarly in place on valuation date.

[fol. 518]

Common Carrier Lands

The Carriers jointly and severally protest:

1. The "present value" of the carrier lands as reported, has been limited to the estimated acreage, lot, parcel or other unit of value of the adjoining and adjacent lands, and the value of the adjacent and adjoining lands has been determined upon the basis, solely, of their normal value for general purposes, and no allowance has been made for any peculiar value by reason of special adaptability for railroad uses, and no allowance has been made for the additional value which a common carrier must and does pay, in order to acquire lands of the limited and prescribed forms and areas in which it must acquire them for its purposes.

The reported "present value" of carrier lands is much less than their true value, and in many instances is less than the true acreage, lot, parcel or other unit of value of the adjoining and adjacent lands.

2. That the methods of determining so-called present value of carrier lands ignore numerous essential facts:

(a) in the acquisition of lands for common carrier purposes, many rights, easements and privileges of the grantors are extinguished or destroyed by the construction of the railroad, or are transferred to the carrier, the value of none of which is reflected in the normal acreage, lot, parcel or other unit of value of the adjoining

ing and adjacent lands, but which has to be and is paid for by the carrier:

(b) the construction and operation of a railroad frequently causes damages to the adjacent and adjoining lands and property thereon for which the carrier in acquiring its carrier lands has to pay;

[fol. 519] (c) buildings, structures and other improvements on the lands acquired by a carrier have to be paid for;

(d) the cost of removing and relocating highways, buildings, fences, water mains, sewers, wire conduits, and other structures which the carrier frequently has to pay, adds to the cost of its lands;

(e) taxes which have accrued on lands at the time of their acquisition by the carrier generally have to be paid by the carrier.

3. The Tentative Valuations and the Land Reports fail to include an amount for interest and taxes during construction upon the cost of acquiring the carrier lands, or for interest, incidental expenses and taxes during construction upon the value thereof.

4. The Tentative Valuations adopt erroneous principles for determining the areas of lands owned or used for carrier purposes, and erroneously exclude the following:

(a) areas longitudinally occupied in streets and alleys by virtue of grants, franchises or other lawful authority;

(b) areas occupied in street or alley crossings which are owned by the respective carriers;

(c) areas owned or used in connection with industry tracks.

[fol. 520]

Part Second

Protest Against Erroneous Report of the Facts

The Carriers, subject to their foregoing protests, jointly and severally protest against various errors and omissions in the report of facts appearing in their respective Tentative Valuations and in the Engineering, Land and Accounting Reports, which are errors and omissions as of valuation date. The costs and values hereinafter stated by the respective carriers are intended to be and are as of June 30, 1914, as respects the Engineering Report and Appendix No. 1, and as of June 30, 1915, as respects the Land Reports.

Engineering Report and Appendix No. 1

The Carriers' protests hereinafter set forth under the above heading, assume for the purpose of discussion, the correctness (but do not admit such correctness) of the principles upon which the facts and findings contained in the Engineering Report and Appendix No. 1 purport to be based. The Carriers do not consider the follow-

ing, among other things, to be matters of principle, and jointly and severally protest against each and every one of them:

(a) the omission in the Engineering Report of any sum for contingencies as such;

(b) the application of second-hand prices to relay rail, track material in connection therewith and other property;

(c) exclusion of actual or properly estimated costs of assessments for public improvements;

(d) the $1\frac{1}{2}$ per cent. used to determine General Expenditures, except interest during construction;

[fol. 521 & 522] (e) the method used by the Commission for computing interest during construction;

(f) the exclusion of costs of solidification, adaptation and seasoning.

The Carriers jointly and severally protest that the Engineering Report and Appendix No. 1 do not include the complete costs of the properties of the respective carriers in their developed condition as they existed upon valuation date.

Separate Protests of the Carriers under Valuation

The Chicago, Rock Island and Pacific Railway Company

The Chicago, Rock Island and Pacific Railway Company protests that certain of the amounts set forth in the Engineering Report, and reported in its Tentative Valuation, as the Cost of Reproduction New and Cost of Reproduction New Less Depreciation of its common-carrier property (except land), as of valuation date, are incorrect and are too low because of the use of inadequate prices for material and labor and the omission of certain costs and quantities; and said Carrier claims that the amounts which should be reported as such Cost of Reproduction New with respect to the several accounts comprising the Engineering Report and set forth in the Tentative Valuation, are not less than the amounts shown therefor in the following statements** under the heading "Carrier's Reproduction Cost New."

**For purposes of convenient reference and comparison, the tabular statements herein showing the Cost of Reproduction New of the various accounts for the carriers respectively, are based upon and correspond with, as respects the division into parts of the properties of each carrier, the statements or tables contained in the Tentative Valuations.

Said statements include "contingencies," but do not include the costs, except for "Adaptation, Solidification and Seasoning" referred to and claimed in paragraph No. 3, page 10, supra.

Comparison of Cost of Reproduction Now Claimed by the Carrier and Reported in the Tentative Valuation

L.C.C. acct. No.	Subject	State of Iowa		Miles Main Line, Single Track		Miles All Tracks	
		Carrier's reproduction cost now	L.C.C. reproduction cost now	L.C.C. Over	L.C.C.	L.C.C.	L.C.C.
1.	Engineering	22,839.22	22,316,534	9,572,144	9	1,858,686	
3.	Grading	13,963,892	11,494,155	2,469,737	2	2,459,599	
6.	Bridges, Trestles and Culverts	9,807,283	9,558,155	249,128	2		
8.	Ties	7,244,963	7,310,792	*69,129	*		
9.	Rails	8,646,312	7,749,714	896,628	8		
10.	Other Track Material	2,088,500	1,958,492	130,008	1		
11.	Ballast	5,278,526	4,249,393	1,029,133	1		
12.	Track Laying and Surfacing	5,514,818	3,851,547	1,663,271	1		
13.	Right-of-Way Fences	831,494	748,324	83,173	1		
14.	Snow and Sand Fences and Knowsheds	83,817	62,887	19,930	1		
15.	Crossing and Signs	720,631	655,088	65,543	1		
16.	Station and Office Buildings	2,846,285	2,885,427	*39,142	*		
17.	Roadway Buildings	161,928	159,504	2,424	1		
18.	Water Stations	622,022	611,920	10,102	1		
19.	Fuel Stations	244,615	244,566	49	49		
20.	Shops and Engine-houses	1,459,974	1,470,859	*10,885	*		
21.	Grain Elevators	13,636	13,636				
22.	Telegraph and Telephone Lines	388,368	181,480	206,888	2		
23.	Signals and Interlockers	959,899	947,941	11,958	1		

229. Power Plant Buildings.....	76,147	.....
230. Power Distribution Systems.....	13,373	.....
336. Paving.....	6,393	.....
337. Roadway Machines.....	38,135	*1,387
338. Roadway Small Tools.....	20,819	*5,666
339. Assessments for Public Improvements.....	28,612	28,612
432. Other Expenditures—Road.....	92,936	.....
441. Shop Machinery.....	319,115	.....
451. Power Plant Machinery.....	87,923	.....
461. Engineering Instruments.....	3,412	.....
481. Adaptation, Solidification and Seasoning.....	3,307,490	3,307,490
Total.....	967,958,930	910,896,749

General Expenditures

771. Organization Expenses.....	.....	.....
772. General Officers and Clerks.....	.....	.....
773. Law, Aeds. 71, 72, 73, 74, 75 and 77.....	.....	.....
774. Stationery and Printing.....	.....	.....
775. Taxes.....	.....	.....
776. Other Expenditures—General.....	.....	.....
777. Interest Baring Construction.....	.....	.....
778. Contingencies.....	.....	.....
Total.....	912,017,694	917,429,757
Grand Total.....	961,650,108	918,326,516

*Carried over, L. C. C.

[fol. 525]

EVIDENCE: EXHIBIT "E."

Before attempting to fill up this blank read carefully the printed instructions on the next page. Must be filed with Executive Council on or before the first day of April.

Annual Report of the Chicago, Rock Island and Pacific Railway Company Made to the Executive Council of the State of Iowa for the Year Ending December 31, 1921

Names of officers	Post office addresses
President, J. E. Gorman	Chicago, Illinois.
Vice-President, M. L. Bell	New York City, New York.
Vice-President, L. C. Fritch	Chicago, Illinois.
Vice-President, T. H. Beacon	" "
V.-Pres., Sec'y and Treas., Carl Nyquist	" "
General Counsel, M. L. Bell	New York City, New York.
General Manager, T. H. Beacon	Chicago, Illinois.
Manager, C. W. Jones	Des Moines, Iowa.
General Superintendent, D. Coughlin	Des Moines, Iowa.
Chief Engineer, C. A. Morse	Chicago, Illinois.
General Auditor, W. H. Burns	" "
Tax Commissioner, J. B. Angell	" "

Superintendents of Iowa Divisions:

A. T. Abbott, Des Moines Valley Div.	Des Moines, Iowa.
E. J. Gibson, Iowa Division	" " "
A. L. Haldeman, Cedar Rapids-Minn. Div.	Cedar Rapids, Iowa.
H. F. Reddig, Missouri Division	Trenton, Missouri.
H. E. Allen, Dakota Division	Estherville, Iowa.
C. L. Rupert, Illinois Division	Rock Island, Illinois.

Names of directors

Charles Hayden.	Jas. A. Patten.
Carl Nyquist.	A. C. Rearick.
N. L. Amster.	Wm. Z. Ripley.
M. L. Bell.	Frederick W. Scott.
Henry Bruere.	Jas. Speyer.
J. E. Gorman.	P. C. Ten Eyck.
Col. G. Watson French.	

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Explanations and Instructions.

This report is required under Sections 1334 and 1335 of the Code of 1897 as amended by Chapter 58 of the laws of the Twenty-ninth General Assembly, and Chapter 16, Acts of Thirtieth General Assembly, and under Chapter 61 of the laws of the Twenty-ninth General Assembly. In these provisions of the statute you are respect-

fully referred for any information that may not be disclosed in these explanations and instructions.

In addition to the statute, the Executive Council on May 12, 1902, adopted certain rules and regulations which must be borne in mind in compiling the report. These rules and regulations have already been communicated to the several railway companies, but for convenience they are here reproduced.

I

With Respect to Gross Earnings

(1) Every railway company subject to taxation in this State, shall keep a permanent account or record showing the earnings of its property in this State as distinguished from its earnings in any other State or Territory in which it may carry on business.

(2) Where the shipments, carriage, or other business is carried or done by the reporting company wholly within this State, the said account or record shall contain the full earnings of the company thereon.

(3) Where the shipment, carriage, or other business is carried or done by the reporting company partly within this State and partly without the State, the said account or record shall contain that proportion of the full earnings upon such shipment, carriage or other business which the haul or carriage in this State bears to the entire haul or carriage.

4. The division provided for in rule three shall be made by actual computation, not by estimate.

(5) On or before the 1st day of July, 1902, every such railway company shall make, under oath, and file with the Executive Council, a report, showing its gross earnings in this State for the month of April, 1902, ascertained as hereinbefore provided, and monthly reports of such gross earnings shall thereafter be made. The blanks for the reports will be furnished by the Executive Council. (Rule No. 5 has been temporarily suspended.)

Remark.—The above reports are additional to those required to be annually made and additional to those showing the earnings of main lines and branches.

II

2

With Respect to Net Earnings

(1) The general rule to be hereafter observed is that whatever expense is incurred to preserve the property in the physical condition existing when the material, building, structure or equipment is replaced, renewed, or repaired was originally put in use and to operate it, is to be deducted from the gross earnings in order to ascertain the net earnings; and all matters not specifically provided for

shall be so determined. For convenience, the terms "maintenance" and "operation" are used in these rules to describe the items which may be so deducted, and the term "betterment" the items which cannot be deducted.

(2) The cost of reducing grades and curves, of original ballast, of side tracks, shortening the line and the like, is not "maintenance" but "betterment." Provided that the superstructure in the case of reducing grades and curves shall be treated as though renewed upon the old line to the extent of the length of the old line.

(3) In the renewal of rails the added weight at cost price shall be charged to "betterment," the remainder to "maintenance."

(4) In renewal of permanent structures, such as bridges, culverts, crossings, station houses, offices, elevators, and the like, the cost of duplicating the old structure shall be charged to "maintenance," the remainder to "betterment."

(5) The entire cost of additional track or right of way shall be charged to "betterment."

(6) In renewal of rolling stock it shall be ascertained what the engine or car renewed or one of like efficiency would cost, and such amount shall be charged to "maintenance," and any excess to "betterment."

(7) The value of all materials, rails, ties, structures, equipment and the like displaced by new material, rails, ties, structures, equipment and the like, shall be applied to reduce the cost of maintenance.

(8) The cost of maintenance and operation of the entire system, as well as in the State of Iowa, shall be ascertained as herein provided and shall be reported.

(9) Expenditures for maintenance and operation relating solely to lines in Iowa shall be charged to cost of maintenance and operation in this State, all other expenditures for such purposes shall be equitably divided and the basis of the division shall be stated in the report.

(10) Neither interest nor taxes shall be charged to "maintenance" nor "operation."

Schedules numbered 1, 2, 3, 4 and 5 are intended to present a complete enumeration of the physical property of the company, other than lands.

Schedules 6a, 6b, 6c and 6d are intended to disclose the gross earnings of the lines in Iowa, computed as directed by Chapter 61 of the laws of the Twenty-ninth General Assembly.

Schedule 7 is intended to disclose the gross earnings of all the lines of company, i. e., its entire system.

Schedule 8 is intended to include those items of expenditure which are properly deducted from gross earnings in order to ascertain net

[fol. 541]

SCHEDULE 3

Number of Ties to Mile Within the State, Weight of Rails per Yard on Main Line, Double and Side Tracks—Number of Bridges, Culverts, Tunnels and Other Property Not Otherwise Classified or Scheduled

Name of line	Point of beginning and terminus	Number of miles of track within the State		
		Owned	Leased	Total
Within State of Iowa				
Davenport to.....	Council Bluffs.....	318.37	.....	318.37
".....	Lineville.....	192.59	.....	192.59
Washington to.....	Knexville.....	79.43	.....	79.43
Wilton to.....	Muscataine.....	11.97	.....	11.97
Newton to.....	Monroe.....	17.02	.....	17.02
Des Moines to.....	Indianola & Winterset.....	47.08	.....	47.08
Menlo to.....	Guthrie Center.....	14.51	.....	14.51
Atlantic to.....	Audubon.....	25.23	.....	25.23
Avoca to.....	Carson.....	17.73	.....	17.73
Atlantic to.....	Griswold.....	14.24	.....	14.24
Avoca to.....	Harlan.....	11.89	.....	11.89
Mt. Zion to.....	Keosauqua.....	4.50	.....	4.50
Gowrie to.....	Sibley.....	109.72	.....	109.72
Keokuk to.....	Des Moines.....	.....	162.32	162.32
Burlington to.....	Minnesota & South Dakota State Lines.....	992.92	.....	992.92
North State Line to.....	Des Moines.....	118.115	.....	118.115
Carlisle to A.....	Allerton.....	64.70	.....	64.70
				2,202.335

SCHEDULE 3

*Inc. Double and Side Tracks—Number of Bridges, Culverts, Turn Tables—Number of Miles of Telegraph Used Exclusively for Railroad Business—
All Other Property Not Otherwise Classified or Scheduled*

Beginning and terminus	Number of miles of track within the State			Number of ties per mile on all track within the State	Weight of rails per yard			No. of bridges	No. of culverts	No. of turn tables	No. of miles of telegraph in State
	Owned	Leased	Total		Main line	Dist tr.	Side tr.				
	318.37		318.37	3,000	50-85-100	85-100	54-60	189	600	9	
	192.59		192.59	"	80-85-100		"	129	450	3	
	79.43		79.43	"	56-60-70		"	73	229	1	
	11.97		11.97	"	54		54-60	15	17		
	17.02		17.02	"	56-60		"	34	17		
intersect.....	47.08		47.08	"	55-60-65/70		"	52	85	2	
	14.51		14.51	"	50		"	28	45	1	
	25.23		25.23	"	56-60-80		"	38	17	1	
	17.73		17.73	"	56		"	21	19	1	
	14.24		14.24	"	56		"	25	13		
	11.89		11.89	"	56-60		"	13	10	1	
	4.50		4.50	"	60-56		"	1			
	109.72		109.72	"	60-70		60-70	79	91	1	
		162.32	162.32	"	56-60-70		54-60	179	307	2	
					52-56						
					60-66						
North Dakota State Lines.....	992.92		992.92	"	70-80 lbs.	52 & 60	60			19	
	118.115		118.115	"	85		60	63	271	1	118.115
	64.70		64.70	3,200	90		60	74	127	0	64.70
			2,202.335								

[fol. 542]

SCHEDULE 4.

Rolling Stock Used in Operating Road in this State, and All Other Movable Property, and the Actual Value Thereof. Do Not Give Average Values. Aggregated, but Those of Different Values Separated.

Name of line A	Engines		Passenger cars		Official, baggage, mail, and express cars		Chair, parlor, dining, and sleeping cars		Boarding, box, stock, and freight cars		Total N
	No. B	Value C	No. D	Value E	No. F	Value G	No. H	Value I	No. J	Value K	
Do not classify as to average value											
.....	380	760,000	111	144,300	109	76,030	36	68,400	8,460	1269000	27
.....	14	128,224	.....	.....	.....	.....	.....	.....	59	46706	..
.....	.....	.....	7	36,012	.....	.....	.....	.....	10	9287	..
.....	.....	.....	.....	.....	.....	.....	.....	.....	26	9890	..
.....	.....	.....	.....	.....	.....	.....	.....	.....	286	208605	..
.....	.....	.....	.....	.....	.....	.....	.....	.....	10	10382	..
		888,224		180,312		76,030		68,400		1553870	..

SCHEDULE 5

Rolling Stock Used in Operating Entire Road (Within and Without This State)

.....	1498	2996000	438	569,400	429	300,300	144	273600	33384	5007600	109.
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SCHEDULE 4.

and All Other Movable Property, and the Actual Value Thereof. Do Not Give Average Values. Locomotives, Cars, etc., of Same Value May be Aggregated, but Those of Different Values Separated.

Engines		Passenger cars		Official, baggage, mail, and express cars		Chair, parlor, dining, and sleeping cars		Boarding, box, stock, and freight cars		Platform, coal, and hand cars		All other cars and miscellaneous rolling stock and all other movable property		Total actual value
A	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	P
	C	D	E	F	G	H	I	J	K	L	M	N	O	
10	760,000	111	144,300	109	76,030	36	68,400	8,460	1269000	2776	305,360	66	6,600	2,629,690
4	128,224	....	....	....	....	....	....	59	46706	....	....	8	8,675	183,605
.	....	7	36,012	....	....	....	....	10	9287	....	....	1	6,500	51,799
.	....	....	....	....	....	....	....	26	9890	....	....	1	180	10,070
.	....	....	....	....	....	....	....	286	208605	....	....	2	433	209,038
.	....	....	....	....	....	....	....	10	10382	....	....	....	....	10,382
	888,224		180,312		76,030		68,400		1553870	....	....	....	22,388	3,094,584

SCHEDULE 5

Rolling Stock Used in Operating Entire Road (Within and Without This State)

8	2996000	438	569,400	429	300,300	144	273600	33384	5007600	10957	1205270	262	26,200	10,378,370
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[fol. 543]

SCHEDULE 6-A

Statement of Gross Earnings Upon Road Operated Within the State of Iowa, for the Year Ending December 31, 19-, Upon Business Originating in Iowa, Distinct From Other Earnings

Name of division or line	From passengers	From freight	From express service	From mail service	From telegraph service	From track rent
	B	C	D	E	F	G
.....
.....
.....
Total

SCHEDULE 6-B

Statement of Gross Earnings Upon Road Operated Within the State of Iowa, for the Year Ending December 31, 19-, Upon Business Originating in the State of Iowa, as Compared with the Haul Elsewhere

Name of division or line	From passengers	From freight	From express service	From mail service	From telegraph service	From track rent
	B	C	D	E	F	G
.....
.....
.....
Total

Other Sources of Revenue

What is the amount of revenue received from any and all sources, not above reported, including rents, interest and dividends upon stocks, bonds and without the State of Iowa.

If you have no other revenues or receipts than those reported in Schedules 6-A, B, C, and D, state the fact.

SCHEDULE 6-A

Operated Within the State of Iowa, for the Year Ending December 31, 19- , Upon Business Originating and Terminating Within the State of Iowa, Distinct From Other Earnings

From freight	From express service	From mail service	From telegraph service	From track rent	From car rent	Miscellaneous	Total
C	D	E	F	G	H	I	J
.....
.....
.....
.....
.....

SCHEDULE 6-B

Within the State of Iowa, for the Year Ending December 31, 19-, Upon Business Originating in the State of Iowa and Terminating Elsewhere, Computed Upon the Basis of the Length of Haul in Iowa, as Compared with the Haul Elsewhere

From freight	From express service	From mail service	From telegraph service	From track rent	From car rent	Miscellaneous	Total
C	D	E	F	G	H		J
.....
.....
.....
.....
.....

Other Sources of Revenue

any and all sources, not above reported, including rents, interest and dividends upon stocks, bonds, loans and other deposits or other property, within those reported in Schedules 6-A, B, C, and D, state the fact.

The Chicago, Rock Island and Pacific Railway Company

Statement of Gross Operating Revenue, Operating Expenses (Excluding Taxes), and Net Operating Revenue

For the Year Ended December 31st, 1921

Classification	Within the State of Iowa						Tot
	Illinois division	Iowa division	Missouri division	Cedar Rapids Minnesota division	Dakota division	Des Moines valley division	
Miles of Road Operated.....	4.46	421.87	202.43	649.78	528.93	\$476.82	
Freight	\$114,163.95	\$6,385,026.85	\$5,041,561.76	\$5,037,484.47	\$1,779,734.50	\$2,028,448.82	\$2
Passenger	48,028.41	3,210,030.99	1,058,199.73	1,814,844.03	585,789.14	1,156,618.61	
Mail	3,633.90	298,394.74	73,861.16	215,959.74	70,473.09	105,943.96	
Express	1,665.98	289,068.07	106,753.69	151,196.62	99,409.74	109,025.10	
Telegraph and Telephone		5,606.03	518.89			1,588.11	
Track Rent	2,569.73	18,710.06	121,111.37	87,351.93	7,509.73	58,474.89	
Car Rent	124.65	11,789.82	5,657.22	18,159.12	14,781.78	13,325.47	
Miscellaneous	1,059.06	28,892.94	15,649.21	55,209.63	37,122.96	32,493.73	
Gross Operating Revenue.....	\$171,245.68	\$10,277,519.50	\$6,423,313.03	\$7,380,205.54	\$2,594,820.94	\$3,505,918.69	\$31
Gross Operating Revenue per Mile.....	\$38,395.89	\$24,361.80	\$31,731.03	\$11,358.03	\$4,905.79	\$7,352.71	
Operating Expenses (Excluding Taxes).....	\$420,010.84	\$9,102,164.33	\$4,138,875.20	\$7,076,119.02	\$3,330,324.92	\$3,874,610.20	\$2
Operating Expenses (Excluding Taxes) per Mile	\$94,172.83	\$21,575.76	\$20,445.96	\$10,890.02	\$6,296.34	\$8,125.94	
Net Operating Revenue:							
Gain	\$.....	\$1,175,355.17	\$2,284,537.83	\$304,086.52	\$.....	\$.....	\$
Gain per mile	\$.....	\$2,786.04	\$11,285.07	\$468.01	\$.....	\$.....	
Loss	\$248,765.16	.....	.....	.....	\$735,503.98	\$368,691.51	
Loss per Mile	\$55,776.94	.....	.....	.....	\$1,390.55	\$773.23	
Business originating and terminating within the State of Iowa, distinct from other revenue.....							\$
Business originating within the State of Iowa and terminating elsewhere							
Business originating outside of State of Iowa and terminating within the state							
Business neither originating nor terminating within the State of Iowa, but passing through the state							
Office of General Auditor. Chicago, April 21st, 1922. wk.							\$21

Statement of Gross Operating Revenue, Operating Expenses (Excluding Taxes), and Net Operating Revenue

Within the State of Iowa

	Illinois division	Iowa division	Missouri division	Cedar Rapids Minnesota division	Dakota division	Des Moines valley division	Total State of Iowa	Entire line C., R. I. & P. Ry. Co.
.....	4.46	421.87	202.43	649.78	528.93	\$476.82	2,284.29	7,661.61
.....	\$114,163.95	\$6,385,026.85	\$5,041,561.76	\$5,037,484.47	\$1,779,734.50	\$2,028,448.82	\$20,386,420.35	\$93,019,928.05
.....	48,028.41	3,210,030.99	1,058,199.73	1,814,844.03	585,789.14	1,156,618.61	7,873,510.91	29,384,435.86
.....	3,633.90	298,394.74	73,861.16	215,959.74	70,473.09	105,943.96	768,266.59	2,747,267.55
.....	1,665.98	289,068.07	106,753.69	151,196.62	99,409.74	109,025.10	757,119.20	3,168,382.12
.....	.....	5,606.03	518.89	.....	.....	1,588.11	7,713.03	25,991.48
.....	2,569.73	48,710.06	121,111.37	87,351.93	7,509.73	58,474.89	325,727.71	1,117,544.27
.....	124.65	11,789.82	5,657.22	18,159.12	14,781.78	13,325.47	63,838.06	373,936.23
.....	1,059.06	28,892.94	15,649.21	55,209.63	37,122.96	32,493.73	170,427.53	2,827,162.84
.....	\$171,245.68	\$10,277,519.50	\$6,423,313.03	\$7,380,205.54	\$2,594,820.94	\$3,505,918.69	\$30,353,023.38	\$132,664,648.40
.....	\$38,395.89	\$24,361.80	\$31,731.03	\$11,358.03	\$4,905.79	\$7,352.71	\$13,287.73	\$17,315.51
(x)	\$420,010.84	\$9,102,164.33	\$4,138,875.20	\$7,076,119.02	\$3,330,324.92	\$3,874,610.20	\$27,942,104.51	\$109,558,705.43
(S) per Mile	\$91,172.83	\$21,575.76	\$20,445.96	\$10,890.02	\$6,296.34	\$8,125.94	\$12,232.29	\$14,299.70
.....	\$.....	\$1,175,355.17	\$2,284,537.83	\$304,086.52	\$.....	\$.....	\$2,410,918.87	\$23,105,942.97
.....	\$.....	\$2,786.04	\$11,285.07	\$468.01	\$.....	\$.....	\$1,055.44	\$3,015.81
.....	\$248,765.16	.....	.....	.....	\$735,503.98	\$368,691.51	.....	.....
.....	\$55,776.94	.....	.....	.....	\$1,390.55	\$773.23	.....	.....
							Freight	Passenger
g within the State of Iowa, distinct from other revenue.....							\$3,905,538.33	\$4,012,170.47
e of Iowa and terminating elsewhere							5,163,685.12	1,417,759.85
f Iowa and terminating within the state							4,801,968.28	1,135,543.54
ninating within the State of Iowa, but passing through the state							6,515,228.62	1,308,037.05
go, April 21st, 1922. wk.							\$20,386,420.35	\$7,873,510.99

**CHART
TOO
LARGE
FOR
FILMING**

Standard Sleeping Cars:

Illinois-Iowa Line and Davenport, Iowa:

Number of cars..... 8,418

due to Iowa..... 6,439,886 of 37 cars equal to .047 cars

Average daily car service or wheelage for the year over the above mentioned track..... 22.67 miles

Davenport, Iowa, and West Liberty, Iowa:

Number of cars..... 387,952

due to Iowa..... 6,287,405 of 35 cars equal to 2.159 cars

Average daily car service or wheelage for the year over the above mentioned track..... 1,062.88 miles

West Liberty, Iowa, and Des Moines, Iowa:

Number of cars..... 1,072,029

due to Iowa..... 5,192,786 of 28 cars equal to 5.780 cars

Average daily car service or wheelage for the year over the above mentioned track..... 2,937.07 miles

Des Moines, Iowa, and Council Bluffs, Iowa:

Number of cars..... 791,338

due to Iowa..... 4,376,460 of 22 cars equal to 3.978 cars

Average Daily car service or wheelage for the year over the above mentioned track..... 2,168.05 miles

Illinois-Iowa Line and Muscatine, Iowa:

Number of cars..... 146,266

due to Iowa..... 7,089,483 of 35 5 12 cars equal to .731 cars

Average daily car service or wheelage for the year over the above mentioned track..... 400.73 miles

Muscatine, Iowa, and Columbus Jet., Iowa:

Number of cars..... 95,298

due to Iowa..... 6,997,203 of 33 5 12 cars equal to .455 cars

Average daily car service or wheelage for the year over the above mentioned track..... 261.09 miles

Columbus Jet., Iowa, and Washington, Iowa:

Number of cars..... 78,625

due to Iowa..... 6,996,603 of 33 5 12 cars equal to .375 cars

Average daily car service or wheelage for the year over the above mentioned track..... 215.41 miles

Washington, Iowa, and Allerton, Iowa:

Number of cars..... 521,869

due to Iowa..... 6,997,203 of 33 5 12 cars equal to 2.492 cars

Average daily car service or wheelage for the year over the above mentioned track..... 1,429.78 miles

SCHEDULE 11

Sleeping and Dining Cars Run on This Road, but Owned Either Wholly or in Part by Other Corporations or Individuals

required to be contained in the statement made by the company for the purpose of taxation, such statement shall show the number of sleeping and dining cars running on its railway in the state during each month of the year for which the return is made, the value of each car so used, and also the number of miles each car has run within the state, and the total number of miles said cars have been run or operated each month within and without the state. Such statement shall show the mileage operated on each part or division of the line or system within the state, designating the points on the line where variations occur, with the mileage of

Attach the Sleeping Car Company's Report.

(line) Between Ill.-Iowa Line, Iowa, 779 Miles of Main Track

Standard Sleeping Cars (line) Between Davenport, Iowa, and West Liberty, Iowa, 38,494 Miles of Main Track

Standard Sleeping Cars (line) Between West Liberty, Iowa, and Des Moines, Iowa, 136,496 Miles of Main Track

Standard Sleeping Cars (line) Between Iowa, and Council Bluffs, Iowa, 142 Miles of Main Track

Miles run by same		Cars used		Miles run by same		Cars used		Miles run by same		Cars used		Miles run
In Iowa	On entire line	No.	Total value	In Iowa	On entire line	No.	Total value	In Iowa	On entire line	No.	Total value	In Iowa
C	D	A	B	C	D	A	B	C	D	A	B	C
701	524,868	35	.....	31,842	510,411	28	.....	86,402	420,325	22	.....	62,129
626	471,561	35	.....	28,293	458,820	28	.....	77,393	378,068	22	.....	56,016
615	512,614	35	.....	31,690	499,625	28	.....	86,265	410,221	22	.....	63,125
666	508,961	35	.....	30,484	497,249	28	.....	83,395	410,471	22	.....	60,849
716	532,934	35	.....	32,447	519,242	28	.....	89,400	418,968	22	.....	66,536
720	542,847	35	.....	33,066	529,889	28	.....	92,407	442,501	22	.....	63,977
801	639,154	35	.....	36,954	626,527	28	.....	104,556	532,452	22	.....	80,898
772	619,493	35	.....	35,568	607,232	28	.....	100,052	505,733	22	.....	77,769
725	542,566	35	.....	32,874	530,854	28	.....	91,862	443,810	22	.....	70,665
714	533,578	35	.....	32,643	520,951	28	.....	90,360	421,547	22	.....	66,821
667	497,142	35	.....	30,333	484,698	28	.....	82,853	396,531	22	.....	59,855
695	514,168	35	.....	31,758	501,907	28	.....	87,084	412,159	22	.....	62,698
8,418	6,439,886	35	.....	387,952	6,287,405	28	.....	1,072,029	5,192,786	22	.....	791,338

(line) Between Ill.-Ia. Line, Iowa, 27,777 Miles of Main Track

Standard Sleeping Cars (line) Between Muscatine, Iowa, and Columbus Jct., Iowa, 21,000 Miles of Main Track

Standard Sleeping Cars (line) Between Columbus Jct., Iowa, and Washington, Iowa, 17,328 Miles of Main Track

Standard Sleeping Cars (line) Between Iowa, and Allerton, Iowa, 115,001 Miles of Main Track

Miles run by same		Cars used		Miles run by same		Cars used		Miles run by same		Cars used		Miles run
In Iowa	On entire line	No.	Total value	In Iowa	On entire line	No.	Total value	In Iowa	On entire line	No.	Total value	In Iowa
C	D	A	B	C	D	A	B	C	D	A	B	C

SCHEDULE 11

ing Cars Run on This Road, but Owned Either Wholly or in Part by Other Corporations or Individuals

contained in the statement made by the company for the purpose of taxation, such statement shall show the number of sleeping and dining cars not in the state during each month of the year for which the return is made, the value of each car so used, and also the number of miles each month said, and the total number of miles said cars have been run or operated each month within and without the state. Such statement shall show the average on each part or division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part

Attach the Sleeping Car Company's Report.

Standard Sleeping Cars (line) Between Davenport, Iowa, and West Liberty, Iowa, 38.494 Miles of Main Track					Standard Sleeping Cars (line) Between West Liberty, Iowa, and Des Moines, Iowa, 136.896 Miles of Main Track					Standard Sleeping Cars (line) Between Des Moines, Iowa, and Council Bluffs, Iowa, 142.173 Miles of Main Track				
Cars used		Miles run by same			Cars used		Miles run by same			Cars used		Miles run by same		
On entire line	No.	Total value	In Iowa	On entire line	On entire line	No.	Total value	In Iowa	On entire line	On entire line	No.	Total value	In Iowa	On entire line
D	A	B	C	D	A	B	C	D	A	B	C	D	A	D
524,868	35	.....	31,842	510,411	28	.....	86,402	420,325	22	.....	62,129	350,157		
471,561	35	.....	28,293	458,820	28	.....	77,393	378,068	22	.....	56,016	317,024		
512,614	35	.....	31,690	499,625	28	.....	86,265	410,221	22	.....	63,125	343,283		
508,961	35	.....	30,484	497,249	28	.....	83,395	410,471	22	.....	60,849	344,957		
532,934	35	.....	32,447	519,242	28	.....	89,400	418,968	22	.....	66,536	352,143		
542,847	35	.....	33,066	529,889	28	.....	92,407	442,501	22	.....	63,977	361,655		
639,154	35	.....	36,954	626,527	28	.....	104,556	532,452	22	.....	80,898	462,981		
619,493	35	.....	35,568	607,232	28	.....	100,052	505,733	22	.....	77,769	439,745		
542,566	35	.....	32,874	530,854	28	.....	91,862	443,810	22	.....	70,665	378,296		
533,578	35	.....	32,643	520,951	28	.....	90,360	421,547	22	.....	66,821	352,811		
497,142	35	.....	30,333	484,698	28	.....	82,853	396,531	22	.....	59,855	331,232		
514,168	35	.....	31,758	501,907	28	.....	87,084	412,159	22	.....	62,698	342,176		
6,439,886	35	.....	387,952	6,287,405	28	.....	1,072,029	5,192,786	22	.....	791,338	4,376,460		

Standard Sleeping Cars (line) Between Muscatine, Iowa, and Columbus Jet., Iowa, 21.000 Miles of Main Track					Standard Sleeping Cars (line) Between Columbus Jet., Iowa, and Washington, Iowa, 17.328 Miles of Main Track					Standard Sleeping Cars (line) Between Washington, Iowa, and Allerton, Iowa, 115.001 Miles of Main Track				
Cars used		Miles run by same			Cars used		Miles run by same			Cars used		Miles run by same		
On entire line	No.	Total value	In Iowa	On entire line	On entire line	No.	Total value	In Iowa	On entire line	On entire line	No.	Total value	In Iowa	On entire line
D	A	B	C	D	A	B	C	D	A	B	C	D	A	D

SCHEDULE 10

Recapitulation. (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the

Value of property used in operation

Name of line A	Miles of road		Lands and town lots listed in land record D	Road (Schedule 1) E	Buildings etc. (Schedule 2) F
	In Iowa B	Entire length C			
.....
.....
.....

SCHEDULE 10—Continued. (Lines in State of Iowa Only)

Name of line J	Gross earnings (Schedule 6)		Operating expenses (Schedule 8)		Net earnings
	Total K	Per mile L	Total M	Per mile N	Total O
.....
.....
.....

SCHEDULE 10—Concluded—(Entire System)

Name of system J	Gross earnings (Schedule 7)		Operating expenses (Schedule 9)		Net earnings
	Total K	Per mile L	Total M	Per mile N	Total O
.....
.....
.....

SCHEDULE 10

ion. (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the Road in Iowa)

[illegible]

SCHEDULE 10—Continued. (Lines in State of Iowa Only)

[illegible]

SCHEDULE 10—(Concluded)—(Entire System)

[illegible]

SCHEDULE 11

Sleeping and Dining Cars Run on This Road, but Owned Either Wholly or in Part by Other Corporations or Individuals

Code, Sec. 1340. In addition to the matters required to be contained in the statement made by the company for the purpose of taxation, such statement shall show the number of sleeping and dining cars not owned by such corporation, but used by it in operating its railway in the state during each month of the year for which the return is made, the value of each car so used, and also the number of miles each month said cars have been run or operated on such railway within the state, and the total number of miles said cars have been run or operated each month within and without the state. Such statement shall show the average daily sleeping car and dining car service or wheelage operated on each part or division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part having the same daily service or wheelage.

Attach the Sleeping Car Company's Report

Standard Sleeping Cars (line) Between Allerton, Iowa, and Iowa-Missouri Line, Iowa, 13,120 Miles of Main Track					Tourist Sleeping Cars (line) Between Ill.-Iowa Line, Iowa, and Allerton, Iowa, 181,106 Miles of Main Track					Tourist Sleeping Cars (line) Between Allerton, Iowa, and Iowa-Missouri Line, Iowa, 13,120 Miles of Main Track					Standard Sleeping Cars (line) Between Burlington, Iowa, and Columbus Jct., Iowa, 40,538 Miles of Main Track				
Month	Cars used		Miles run by same		No.	Cars used		Miles run by same		No.	Cars used		Miles run by same		No.	Cars used		Miles run by same	
	No.	Total value	In Iowa	On entire line		No.	Total value	In Iowa	On entire line		No.	Total value	In Iowa	On entire line		No.	Total value	In Iowa	On entire line
January	56	.....	8,318	945,271	10	.....	10,866	167,492	10	.....	787	167,492	4	.....	5,040	57,218
February	51	.....	6,940	778,284	10	.....	10,142	155,400	10	.....	735	155,400	4	.....	4,580	51,209
March	45	.....	7,400	748,900	10	.....	11,229	172,050	10	.....	813	172,050	4	.....	5,127	56,048
April	45	.....	7,216	732,201	10	.....	10,866	166,500	10	.....	787	166,500	4	.....	4,864	54,240
May	45	.....	7,426	751,808	10	.....	11,047	169,261	10	.....	800	169,261	4	.....	5,026	56,580
June	48	.....	8,082	757,170	10	.....	11,590	169,696	10	.....	840	169,696	4	.....	4,945	60,410
July	48	.....	8,672	793,814	10	.....	11,229	170,587	10	.....	813	170,587	4	.....	5,148	57,803
August	48	.....	8,908	813,544	10	.....	11,229	171,570	10	.....	813	171,570	4	.....	5,148	57,803
September	48	.....	7,990	764,416	10	.....	10,866	166,020	10	.....	787	166,020	4	.....	5,067	57,165
October	48	.....	8,423	801,668	10	.....	11,229	172,050	10	.....	813	172,050	4	.....	5,040	56,946
November	48	.....	8,121	762,610	10	.....	4,709	8,674	10	.....	341	8,674	4	.....	4,945	55,398
December	48	.....	8,581	812,480	10	.....	11,229	170,612	10	.....	813	170,612	4	.....	5,040	57,218
Total	482	12	96,077	9,462,166	10	.....	126,231	1,859,912	10	.....	9,142	1,859,912	4	.....	59,870	678,038

Proportionate Value in State
Number of Miles of Road
Average Value Per Mile

Standard Sleeping Cars (line) Between Columbus Jct., Iowa, and West Liberty, Iowa, 26,872 Miles of Main Track					Standard Sleeping Cars (line) Between West Liberty, Iowa, and Cedar Rapids, Iowa, 36,016 Miles of Main Track					Standard Sleeping Cars (line) Between Cedar Rapids, Iowa, and Vinton, Iowa, 23,524 Miles of Main Track					Standard Sleeping Cars (line) Between Vinton, Iowa, and Plymouth Jct., Iowa, 28,145 Miles of Main Track							
Month	Cars used		Miles run by same		No.	Total value	Cars used		Miles run by same		No.	Total value	Cars used		Miles run by same		No.	Total value	Cars used		Miles run by same	
	No.	Total value	In Iowa	On entire line			No.	Total value	In Iowa	On entire line			No.	Total value	In Iowa	On entire line			No.	Total value	In Iowa	On entire line
January	4	.....	2,520	57,218	12	.....	11,480	147,304	10	.....	5,851	127,526	7	.....	18,647	91,364		
February	4	.....	2,358	51,209	12	.....	10,240	131,961	10	.....	5,293	114,997	7	.....	16,586	81,953		
March	4	.....	2,588	56,048	12	.....	11,298	145,452	10	.....	5,834	125,674	7	.....	18,255	90,086		
April	4	.....	2,505	54,240	12	.....	10,968	141,018	10	.....	5,648	121,878	7	.....	17,535	87,180		
May	4	.....	2,588	56,580	12	.....	11,369	156,854	10	.....	5,927	137,714	7	.....	18,646	102,126		
June	4	.....	2,546	60,410	12	.....	11,079	147,798	10	.....	5,740	128,658	7	.....	18,058	94,218		
July	4	.....	2,651	57,803	12	.....	11,699	151,878	10	.....	6,093	132,100	7	.....	19,138	95,334		
August	4	.....	2,651	57,803	12	.....	11,590	159,302	10	.....	6,022	139,524	7	.....	19,040	103,926		
September	4	.....	2,609	57,165	12	.....	11,152	144,209	10	.....	5,787	125,069	7	.....	18,255	90,129		
October	4	.....	2,520	56,946	12	.....	11,369	156,350	10	.....	5,881	136,572	7	.....	18,454	100,984		
November	4	.....	2,546	55,398	12	.....	11,126	142,992	10	.....	5,763	123,852	7	.....	18,058	89,206		
December	4	.....	2,520	57,218	12	.....	11,408	146,966	10	.....	5,905	127,188	7	.....	18,549	91,600		
Total	4	.....	30,602	678,038	12	.....	134,778	1,772,084	10	.....	69,764	1,539,852	7	.....	219,248	1,118,646		

Proportionate Value in State
Number of Miles of Road
Average Value Per Mile

General Remarks

Standard Sleeping Cars:

Allerton, Iowa, and Iowa-Missouri Line:

Number of cars..... 96,077

due to Iowa..... 9,462,166 of 48 2 12 cars equal to .489 cars

Average daily car service or wheelage for the year over the above mentioned track..... 263.22 miles

Tourist Sleeping Cars:

Illinois-Iowa Line and Allerton, Iowa:

Number of cars..... 126,231

due to Iowa..... 1,859,912 of 10 cars equal to .679 cars

Average daily car service or wheelage for the year over the above mentioned track..... 345.84 miles

Allerton, Iowa, and Iowa-Missouri Line:

Number of cars..... 9,142

due to Iowa..... 1,859,912 of 10 cars equal to .649 cars

Average daily car service or wheelage for the year over the above mentioned track..... 25.05 miles

Standard Sleeping Cars:

Burlington, Iowa, and Columbus Jct., Iowa:

Number of cars..... 59,870

due to Iowa..... 678,038 of 4 cars equal to .353 cars

Average daily car service or wheelage for the year over the above mentioned track..... 164.03 miles

Columbus Jct., Iowa, to West Liberty, Iowa:

Number of cars..... 30,602

due to Iowa..... 678,038 of 4 cars equal to .181 cars

Average daily car service or wheelage for the year over the above mentioned track..... 83.84 miles

West Liberty, Iowa, to Cedar Rapids, Iowa:

Number of cars..... 134,778

due to Iowa..... 1,772,084 of 12 cars equal to .913 cars

Average daily car service or wheelage for the year over the above mentioned track..... 369.25 miles

Cedar Rapids, Iowa, and Vinton, Iowa:

Number of cars..... 69,764

due to Iowa..... 1,539,852 of 10 cars equal to .453 cars

Average daily car service or wheelage for the year over the above mentioned track..... 191.13 miles

Vinton, Iowa, to Plymouth Jct., Iowa:

Number of cars..... 219,248

due to Iowa..... 1,118,646 of 7 cars equal to 1.372 cars

Average daily car service or wheelage for the year over the above mentioned track..... 600.68 miles

SCHEDULE 10

Recapitulation. (This Recapitulation Relates to the Property, Earnings, Expenses, etc., of the Road in Iowa)

[illegible]

SCHEDULE 10—Continued. (Lines in State of Iowa Only)

[illegible]

SCHEDULE 10—Concluded—(Entire System)

[illegible]

SCHEDULE II

Sleeping and Dining Cars Run on This Road, but Owned Either Wholly or in Part by Other Corporations or Individuals

Code, Sec. 1340. In addition to the matters required to be contained in the statement made by the company for the purpose of taxation, such statement shall show the number of sleeping and dining cars not owned by such corporation, but used by it in operating its railway in this state during each month of the year for which the return is made, the value of each car so used, and also the number of miles each month average daily sleeping car and dining car service or wheelage operated on each part or division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part having the same daily service or wheelage.

Attach the Sleeping Car Company's Reports

Standard Sleeping Cars (line) Between Plymouth Jet., Iowa, and Manly Jet., Iowa, 5,386 Miles of Main Track					Standard Sleeping Cars (line) Between Northwood, Iowa, and Iowa-Minnesota Line, Iowa, 3,777 Miles of Main Track					Standard Sleeping Cars (line) Between Vinton, Iowa, and Iowa Falls, Iowa, 73,796 Miles of Main Track					Standard Sleeping Cars (line) Between Iowa Falls, Iowa, and Lake Park, Iowa, 137,656 Miles of Main Track				
Month	Cars used		Miles run by same		No. A	Cars used		Miles run by same		No. A	Cars used		Miles run by same		No. A	Cars used		Miles run by same	
	No. A	Total value B	In Iowa C	On entire line D		Total value B	In Iowa C	On entire line D	Total value B		In Iowa C	On entire line D	Total value B	In Iowa C		On entire line D			
January	7	.....	1,023	91,344	25	.....	1,904	335,454	3	.....	4,649	36,162	3	.....	8,654	36,162
February	7	.....	910	81,953	25	.....	1,719	305,913	3	.....	4,133	32,144	3	.....	7,709	32,144
March	7	.....	1,002	90,086	25	.....	1,881	332,288	3	.....	4,575	35,588	3	.....	8,535	35,588
April	7	.....	968	87,180	25	.....	1,821	315,288	3	.....	4,501	34,398	3	.....	8,397	34,398
May	7	.....	1,023	102,126	25	.....	2,002	360,997	3	.....	4,575	35,588	3	.....	8,534	35,588
June	7	.....	991	94,218	31	.....	2,210	378,629	3	.....	4,427	34,440	3	.....	8,259	34,440
July	7	.....	1,050	95,354	28	.....	2,531	423,213	3	.....	4,723	36,736	3	.....	8,810	36,736
August	7	.....	1,045	103,936	28	.....	2,391	411,322	3	.....	4,575	35,588	3	.....	8,534	35,588
September	7	.....	1,002	90,629	28	.....	2,130	398,935	3	.....	4,427	34,440	3	.....	8,259	34,440
October	7	.....	1,013	100,984	28	.....	2,157	379,291	3	.....	4,575	35,588	3	.....	8,534	35,588
November	7	.....	991	89,206	28	.....	2,081	377,935	3	.....	4,501	34,646	3	.....	8,397	34,646
December	7	.....	1,018	91,600	28	.....	2,145	368,605	3	.....	4,575	35,588	3	.....	8,534	35,588
Total	7	.....	12,936	1,118,646	27	.....	24,975	1,364,970	3	.....	54,236	421,206	3	.....	101,156	421,206
Proportionate Value in State																			

Proportionate Value in State
Number of Miles of Road
Average Value Per Mile

Standard Sleeping Cars (line) Between Lake Park, Iowa, and Minn.-Ia. & Ia.-So. Dak. Line, Iowa, 96,944 Miles of Main Track					Standard Sleeping Cars (line) Between Mason City, Iowa, and Iowa Falls, Iowa, 13,629 Miles of Main Track					Standard Sleeping Cars (line) Between Iowa Falls, Iowa, and Des Moines, Iowa, 75,918 Miles of Main Track					Standard Sleeping Cars (line) Between Alton, Iowa, and Des Moines, Iowa, 76,180 Miles of Main Track				
Month	Cars used		Miles run by same		No. A	Cars used		Miles run by same		No. A	Cars used		Miles run by same		No. A	Cars used		Miles run by same	
	No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D		No. A	Total value B	In Iowa C	On entire line D
January	3		4,217	36,162	15		10,968	206,479	15		18,905	201,479	13		14,474	180,967			
February	3		3,749	32,144	15		9,832	186,643	15		17,082	186,643	13		13,027	181,760			
March	3		4,151	35,588	15		10,925	205,188	15		18,979	205,188	13		14,703	187,661			
April	3		4,083	34,698	15		10,616	200,915	15		18,446	200,915	13		14,398	181,198			
May	3		4,150	35,588	15		11,099	207,529	15		19,283	207,529	13		14,779	189,523			
June	3		4,016	34,440	18		13,678	232,023	18		23,762	232,023	16		18,816	212,240			
July	3		4,284	36,736	18		15,295	252,224	18		26,571	252,224	16		21,940	233,562			
August	3		4,150	35,588	18		15,863	262,004	18		27,558	262,004	16		23,159	243,142			
September	3		4,016	34,440	18		13,372	235,222	18		23,231	235,222	16		18,801	217,711			
October	3		4,150	35,588	18		13,853	238,905	18		24,066	238,905	16		19,654	220,930			
November	3		4,083	34,646	18		13,416	232,009	18		23,307	232,009	16		19,045	214,634			
December	3		4,150	35,588	18		13,590	236,409	18		23,590	236,409	16		19,271	218,361			
Total	3		49,199	421,206	169		152,507	2,465,550	169		264,780	2,695,550	149		212,162	2,481,961			

Proportionate Value in State
Number of Miles of Road
Average Value Per Mile

General Remarks

Standard Sleeping Cars:

Plymouth Jct., Iowa, and Manly Jct., Iowa:

Number of cars.....	12,036	
due to Iowa.....	1,118,646	of 7 cars equal to .075 cars
Average daily car service or wheelage for the year over the above mentioned track.....		32.98 miles

Northwood, Iowa, and Iowa-Minnesota Line:

Number of cars.....	24,975	
due to Iowa.....	4,364,070	of 27 cars equal to .155 cars
Average daily car service or wheelage for the year over the above mentioned track.....		68.42 miles

Vinton, Iowa, and Iowa Falls, Iowa:

Number of cars.....	54,236	
due to Iowa.....	421,206	of 3 cars equal to .386 cars
Average daily car service or wheelage for the year over the above mentioned track.....		148.59 miles

Iowa Falls and Lake Park, Iowa:

Number of cars.....	101,156	
due to Iowa.....	421,206	of 3 cars equal to .720 cars
Average daily car service or wheelage for the year over the above mentioned track.....		277.14 miles

C., R. I. & P. Ry. Co.—*Continued*

Lake Park, Iowa, and Minnesota-Iowa—Iowa-S. Dakota Line:

Number of cars.....	49,199	
due to Iowa.....	421,206	of 3 cars equal to 3,500 cars
Average daily car service or wheelage for the year over the above mentioned track.....		134.79 miles

Mason City, Iowa, and Iowa Falls, Iowa:

Number of cars.....	152,567	
due to Iowa.....	2,695,550	of 16.9 12 cars equal to 3,948 cars
Average daily car service or wheelage for the year over the above mentioned track.....		417.83 miles

Iowa Falls, Iowa, and Des Moines, Iowa:

Number of cars.....	234,780	
due to Iowa.....	2,695,550	of 16.9 12 cars equal to 1,645 cars
Average daily car service or wheelage for the year over the above mentioned track.....		725.42 miles

Allerton, Iowa, and Des Moines, Iowa:

Number of cars.....	212,162	
due to Iowa.....	2,484,933	of 14.9 12 cars equal to 1,259 cars
Average daily car service or wheelage for the year over the above mentioned track.....		581.27 miles

Enter after the appropriate numbers below any necessary explanation of items in the Schedules corresponding with the respective numbers.

Schedule 1. —
 Schedule 2. —
 Schedule 3. —
 Schedule 4. —
 Schedule 5. —
 Schedule 6. —
 Schedule 7. —
 Schedule 8. —
 Schedule 9. —
 Schedule 10. —
 Schedule 11. —

STATE OF ILLINOIS,
County of Cook, ss:

I, J. B. Angell being duly sworn, upon my oath say that I am the Chief Right of Way & Tax Agent of The Chicago, Rock Island and Pacific Railway Company; that I have examined the foregoing Schedules numbered 1 to 11 inclusive; that the report contained in said Schedules is complete, true and correct as I verily believe; that of my own personal knowledge the gross earnings for the State of Iowa, set forth in Schedules 6a, 6b, 6c and 6d were computed and ascertained in the manner required by Chapter 61 of the laws of the Twenty-ninth General Assembly, and that the expenditures stated in Schedule 8 were computed and ascertained as required by the rules and regulations of the Executive Council of the State of Iowa, adopted May 13, 1902.

(Signed) J. B. Angell, Chief Right of Way & Tax Agent.

Subscribed in my presence and sworn to before me, a Notary Public in and for said County and State, by J. B. Angell on this 9th day of May, A. D. 1922.

In witness whereof, I have hereunto set my hand and seal of office
B. M. Hopkins, Notary Public. [N. P. Seal]

(Here follows Exhibit F, marked side folio pages 557-587, inc.)

[fol. 588]

EVIDENCE: EXHIBIT G

(Copy)

I, E. Mae Sweany, 2nd Asst. Secretary of the Executive Council of the State of Iowa, hereby certify that the attached table marked "Exhibit No. G", is a true and correct copy of the original Exhibit No. 8 filed by the Chicago, Rock Island and Pacific Railway Company with the Executive Council of the State of Iowa, in the hearing held by the Executive Council in which it determined the assessed value for taxation purposes, of the property in Iowa of the Chicago, Rock Island and Pacific Railway Company for the year ending December 31, 1921.

E. Mae Sweany, 2nd Asst. Secretary of the Executive Council of Iowa.

✓ Evidence Exhibit 7
ADDITIONAL

557

ANNUAL REPORT

OF THE

The Chicago, Rock Island & Pacific Railway Company

TO THE

EXECUTIVE COUNCIL

OF THE

STATE OF IOWA

FOR THE YEAR ENDING DECEMBER 31, 1921

TO BE FILED WITHIN 30 DAYS FROM DATE OF SERVICE

♦

STATE OF IOWA, }
POLK COUNTY, } ss.

I, R. E. Johnson, Secretary of the Executive Council of the State of Iowa, do hereby certify that the following is a true and correct copy of a resolution adopted by the Executive Council of the State of Iowa on March 20, 1922.

RESOLUTION.

RESOLVED that the several railroad and railway companies having property in the State of Iowa used and useful for railway purposes to be valued by the Executive Council for assessment for the year 1921 and subsequent years be required and requested to furnish the information called for in the additional annual report to which this resolution is attached and which additional annual report is made a part of this resolution.

BE IT FURTHER RESOLVED that the information be furnished in detail and that all of the information requested be furnished within the time and manner provided by law and filed with the Executive Council of the State of Iowa as is provided by law.

BE IT FURTHER RESOLVED that the Secretary of the Executive Council of the State of Iowa cause to be delivered to the several railroad companies such additional annual reports accompanied by copy of this resolution in the time and manner as provided by law.

It is further certified that the Executive Council at such meeting directed that notice of the adoption of such resolution be given the several railroad and railway companies in accordance with the provision of law and that the information be furnished within the time and manner as provided by law for the use of the Executive Council in connection with the assessment of the property of each of the railroad and railway companies operating within the State of Iowa and having property within the State of Iowa subject to assessment by the Executive Council of the State of Iowa.

This resolution is printed and this certificate is printed in connection with the request for information and additional annual report as required by the Executive Council.

In testimony whereof I hereunto set my hand and the official seal of the Executive Council of the State of Iowa.

Dated this 20th day of March, 1922.

Secretary of the Executive Council of the State of Iowa.

INSTRUCTIONS

1. In tables I, II, III, IV and V set out fully and in detail all the information requested and designated in such tables.
2. In table VI there is to be set out in detail the investment in road and equipment for the entire line as shown by the abstract of reports to the Interstate Commerce Commission. In addition thereto the designations of property 47-A, 67, and 68 are to be added. It will be understood that if such classes or either of such classes are included in any of the other classes so stated in the table then they need not be set out but the facts must be stated fully and completely in the space at the bottom of the table so that the Council may know just where such classes are included and under what particular class of property.
3. In table VII the investment in road and equipment within the State of Iowa. Give the information required in detail. State the method of allocation used as to each separate class of property and the reason for the use of such method of allocation. This should be stated in the blank space in the back of the report provided for remarks. The same instructions relative to classes of property 47-A, 67, and 68 and under table VI shall apply to table VII.
4. Table VIII will be in detail and complete.
5. Table IX. As to this table state as to head of remarks in the back of the report the method of allocation used and the reason for the use of such allocation as to each separate item enumerated under this table and as to each state for which the information is furnished.
6. In table VII-A the information will be furnished in detail. As to items 47-A, 67 and 68 the same instructions will govern as given for table VI.

TABLE II.—FUNDED DEBT
MORTGAGE BONDS, MISCELLANEOUS OBLIGATIONS, INCOME BONDS, EQUIPMENT TRUST OBLIGATIONS, ETC., DEC. 31, 1921.

Description of each issue or series by name as designated in records of the company.	Time		Amount of Authorized issue	Amount issued and outstanding in hands of public	Amount owned by company	Interest		Additions to the funded debt in hands of public from Dec. 31, 1920, to Dec. 31, 1921.
	Date of Issue	When Due				Rate	When Payable	
(1) <u>The C.R.I. & P. Ry. Co.</u>								
1 CRI&PRy - General Mortgage	1/1 1898	1/1 1900	100 000 000	61 581 000	None	4	1/1 1/1	None
2 CRI&PRy - First & Refunding Mortgage	1/1 1904	1/1 1934	163 000 000	94 941 000	36 174 000	4	10/1 1/1	None
3 BCR&NRY - Consolidated First Mtge.	1/1 1884	1/1 1934	(See note)	11 000 000	None	5	10/1 1/1	None
4 The Ma&LRR - First Mortgage	2/1 1877	6/1 1927	150 000	150 000	None	7	12/1 1/1	None
5 RI&PRy - Consolidated First Mortgage	7/1 1885	7/1 1925	600 000	450 000	None	6	7/1 1/1	None
6 CRI&PRy - 3 Yr.-Col.-Trust Gold Notes	2/1 1919	2/1 1922	4 500 000	4 500 000	None	6	2/1 1/1	None
7 U.S.Treasury - Five Year Note	10/1 1920	10/1 1925	2 000 000	2 000 000	None	6	10/1 1/1	None
8 U.S.Treasury - Ten Year Note	11/20 1920	11/20 1930	7 862 000	7 862 000	None	6	12/1 1/1	None
9 Equipment Gold Bonds, Series "D"	5/2 1910	5/2 1925	6 750 000	1 575 000	None	4 1/2	11/1 1/1	450 000
10 Equipment Gold Notes, Series "F"	8/1 1911	8/1 1926	360 000	120 000	None	4 1/2	2/1 1/1	24 000
11 Equipment Gold Notes, Series "G"	7/1 1912	7/1 1927	5 100 000	1 870 000	None	4 1/2	3/1 1/1	340 000
12 Equipment Gold Notes, Series "H"	7/1 1913	7/1 1923	4 410 000	882 000	None	5	7/1 1/1	441 000
13 Equipment Gold Notes, Series 1, 2 & 3	9/1 1913	9/1 1925	2 896 109	1 158 420	None	5	9/1 1/1	289 546
14 Pullman Co. Equipment Lease Warrants	9/20 1920	9/20 1923	846 650	737 376	None	7	11/2 1/1	129 273
15 National Railway Service Corporation Equip.Trust, Series "A" Lease Basis	6/1 1921	6/1 1936	6 460 650	6 253 995	None	-	-	6 253 995
16 Equipment Gold Notes, Series "I"	1/15 1920	1/15 1935	8 117 250	7 576 100	None	6	1/15 1/1	541 150
17 Total - C.R.I. & P. Ry.				202 636 899	36 174 000			1 035 644
(2) <u>Keokuk and Des Moines Ry. Co.</u>								
18								
19								
20 First Mortgage Bonds	10/1 1878	10/1 1923	2 750 000	2 694 000	56 000	5	10/1 1/1	None
(3) <u>St. P. & K. C. S. L. & R. R. Co.</u>								
21								
22								
23 First Mortgage Bonds	2/1 1911	2/1 1941	50 000 000	12 700 915	None	4 1/2	2/1 1/1	13 095
24								
25								
Totals, or amount forward								

TABLE II.—FUNDED DEBT—(Continued)
MORTGAGE BONDS, MISCELLANEOUS OBLIGATIONS, INCOME BONDS, EQUIPMENT TRUST OBLIGATIONS, ETC., DEC. 31, 1921.

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Description of each issue or series by name as designated in records of the company.	Time		Amount of Authorized issue	Amount issued and outstanding in hands of public	Amount owned by company	Interest		Additions to the funded debt in hands of public from Dec. 31, 1920, to Dec. 31, 1921.
	Date of Issue	When Due				Rate	When Payable	
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
Totals, or amount forward								

5 TABLE III.—STATEMENT OF ALL CAPITAL STOCK, BONDS AND OTHER SECURITIES OF THE COMPANY OWNED BY OR HELD IN TRUST FOR THE COMPANY ON DEC. 31, 1921.

562		BONDS AND OTHER SECURITIES			
DESCRIPTION OF STOCKS, BONDS AND OTHER SECURITIES		CAPITAL STOCK No. OF SHARES	TIME	Interest rate	Par Value
			Date of Issue	When due	
(1)	<u>The Chicago, Rock Island and Pacific Railway Company</u>				
1	Capital stock—Common	6,402-3/4			\$10 277.50
2					
3	Capital stock—Preferred				
4					
5	Description of bonds				
6	C.R.I. & P.Ry. First & Refunding Gold Bond Mortgage		1/1/1904	1/1/1934	4 56 174 000
7					
(2)	<u>Keokuk & Des Moines Ry. Co.</u>				
9	K. & D.M.Ry. First Mortgage Bonds		10/1/1879	10/1/1923	5 56 000
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
Totals, or amount forward					

TABLE III.—STATEMENT OF ALL CAPITAL STOCK, BONDS AND OTHER SECURITIES OF THE COMPANY OWNED BY OR HELD IN TRUST FOR THE COMPANY ON DEC. 31, 1921—(Contd.) 7

DESCRIPTION OF STOCKS, BONDS AND OTHER SECURITIES	CAPITAL STOCK NO. OF SHARES	BONDS AND OTHER SECURITIES			
		TIME		Interest rate	Par Value
		Date of Issue	When due		
1 Capital stock—Common					
2					
3 Capital stock—Preferred					
4					
5 Description of bonds					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
Totals, or amount forward					

TABLE IV.—STATEMENT OF ALL CAPITAL STOCK, BONDS AND OTHER SECURITIES OF OTHER PERSONS, COMPANIES OR CORPORATIONS OWNED BY, OR HELD IN TRUST FOR REPORTING COMPANY ON DEC. 31, 1921, AND THE MARKET OR ACTUAL VALUE OF THE SAME

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DESCRIPTION OF STOCK, BONDS AND OTHER SECURITIES

(List and foot stocks and bonds separately.)

CAPITAL
STOCK

No of Shares

BONDS AND OTHER
SECURITIES

TIME

Date of
Issue

When
due

Interest
rate

Par
Value

Market
Value

1	Coal Valley Mining Company	500				\$	50 000	Unknown
2	Consolidated Indiana Coal Company	1,000					100 000	
3	Crawford County Mining Company	510					51 000	
4	Rock Island Improvement Company	1,030					103 000	
5	Gasconade Construction Company	500					50 000	
6	Gulf Construction Company	250					25 000	
7	Memphis Railroad Terminal Company	100					10 000	
8	Choctaw, Oklahoma & Gulf R.R. Co. - Preferred	120,000				6	6 000 000	
9	Choctaw, Oklahoma & Gulf R.R. Co. - Common	196,350				9	827 500	
10	Dallas Union Terminal Railway Company	30					3 000	
11	Houston Belt & Terminal Railway Company	314					3 125	
12	Kansas City Terminal Railway Company	1,833-1/3					183 333	
13	Rock Island-Priceo Terminal Railway Company	3,000					300 000	
14	The Chicago, Rock Island and Gulf Railway Company	4,690					469 000	
15	Wichita Union Terminal Railway Company	250					25 000	
16	Arkansas & Memphis Ry. Bdge. & Term. Co. - Pref..	5,500					550 000	
17	Arkansas & Memphis Ry. Bdge. & Term. Co. - Common	2,900					290 000	
18	Atchison Union Depot and Railroad Company	90					9 000	
19	Calumet Western Railway Company	1,000					100 000	
20	Denver Union Terminal Railway Company	50					5 000	
21	Iowa Transfer Railway Company	81					8 100	
22	Joliet Union Depot Company	100					10 000	
23	Kankakee & Seneca Railroad Company	100					5 000	
24	Keokuk and Des Moines Railway Company - Preferred.	6,278					627 800	\$ 136 045
25	Keokuk and Des Moines Railway Company - Common ...	14,879				1	487 900	84 365
26	Keokuk Union Depot Company	200					20 000	Unknown
27	Leavenworth Depot and Railroad Company	250					25 000	
28	Minnesota Transfer Railway Company	70					7 000	
29	Missouri & Illinois Bridge & Belt Railroad Company	150					15 000	
30	Morris Terminal Railway Company	500					50 000	
31	Peoria and Bureau Valley Railroad Company	100					10 000	9 840
32	Peoria Railway Terminal Company	5,000					500 000	Unknown
33	Pueblo Union Depot and Railroad Company	81-1/3					8 120	
34	Rock Island, Arkansas & Louisiana Railroad Company	7,680				1	768 000	
35	Rock Island & Dardanelle Railway Company	1,000					100 000	
36	Rock Island Omaha Terminal Railway Company	100					10 000	
37	Rock Island Memphis Terminal Railway Company	10					1 000	
38	Rock Island, Stuttgart & Southern Railway Company.	3,000					300 000	
39	St. Joseph Union Depot Company	20					2 000	
40	St. Paul & Kansas City Short Line Railroad Company.	500					50 000	
41	St. Paul Union Depot Company	1,036					103 600	
42	Terminal Railroad Association of St. Louis	2,058					205 800	
43	The Belt Railway Company of Chicago	2,300					230 000	
44	Trinity and Brazos Valley Railway Company	1,520					152 000	
45	Galveston Terminal Railway Company	125					12 500	
46	Cedar Rapids, Iowa Falls and Northwestern Ry. Co...	6,405					640 500	
47	Chicago, Rock Island and El Paso Railway Company..	4,750					475 000	

Total

49	Kansas City, Rock Island Railway Company	100				40 000		
50	St.-Paul and Des Moines Railroad Company	55				5 500		
51	St.-Louis, Rock Island Terminal Railway Company ...	120				120 000		
52	Tuacumcari and Memphis Railway Company	410				41 000		
53	Chicago and Alton Railroad Company - Preferred ...	35,120				35,120 000		318 275
54	Chicago and Alton Railroad Company - Common	68,140				6 814 000		434 392
55	Des Moines and Fort Dodge Railroad Company	8				800		Unknown
56	Missouri Pacific Railroad Company - Preferred	80				8 000		3 360
57	Kansas City Northwestern Railway Company	80				4 000		Unknown
58	Nebraska Central Railway Company	997				99 700		
59	American Automobile Corporation	80				400		
60	Cedar Rapids Auditorium Company	200				1 000		
61	Central City Elevator Company	40				4 000		
62	Council Bluffs Auditorium Company	500				2 500		
63	Des Moines Coliseum Company	1				100		
64	Henry County Telephone Company	2				50		
65	National Implement and Vehicle Show	600				6 000		
66	St.-Joseph Auditorium Company	5,000				5 000		
67	St.-Joseph Interstate Fair & Live Stock Association	1				100		
68	Kansas City Times Newspaper Company	64				6 400		
69	Nebraska Construction Company	27,000				270 000		
70	St.-Joseph Stock Yards and Terminal Company	125				12 500		
71	Union Stock Yards Company (Topeka, Kansas)	131				13 100		
	Total Capital Stock	547,421.78				\$35 852 428		
Bonds:								
72	Crawford County Mining Company		1907	1937		\$ 100 000	\$ 100 000	100 000
73	Rock Island Improvement Company:							
74	First Mortgage Bonds		1903	1928	4	2 700 000		Unknown
75	Blue Island Shop Gold Bonds		1910	1934	5	199 000		
76	Cedar Rapids Terminal Gold Bonds		1908	Demand	5	269 723		
77	Kansas City Terminal Gold Bonds		1908	"	5	392 838		
78	Peoria Terminal Gold Bonds		1908	"	5	290 248		
79	Little Rock Mortgage Gold Bonds		1914	"	5	278 492		
80	Choctaw and Memphis Railroad, non-interest bearing scrip		1909	1949	-	1 000		
81	Kankakee and Seneca Railroad Company, first mortgage		1882	1922	6	325 000		
82	Keokuk and Des Moines Railway Company, first mortgage		1878	1923	5	1 100		745
83	Peoria Railway Terminal Company, first mortgage		1907	1937	4	1 500		Unknown
84	Peoria Railway Terminal Company, first and refunding mortgage		1911	1941	4½	1 500 000		
85	Rock Island and Dardenelle Railway Company, first mortgage		1911	1934	5	100 000		
86	Rock Island, Arkansas and Louisiana R.R. Co., first mortgage		1910	1934	4½	1 965 000	1 532 700	
87	Rock Island, Stuttgart and Southern Ry. Co., first mortgage		1913	1934	5	180 000	Unknown	
88	Rock Island Memphis Terminal Railway Company, first mortgage		1914	1934	5	1 300 000		
89	Rock Island Omaha Terminal Railway Company, first mortgage		1914	1934	5	600 000		
90	St.-Paul and Kansas City Short Line R.R. Co., first mortgage		1911	1941	4½	2 757 000	2 150 400	
91	The Chicago, Rock Island and Gulf Railway Company:							
92	Certificates of Indebtedness		1905	1928	5	5 700 000	Unknown	
93	Carrollton Branch, First Mortgage		1907	1934	6	331 000		
94	First Mortgage		1904	1934	6	6 767 000		
95	Amarillo Division First Mortgage		1912	1934	6	1 193 000		
96	The C.R.I. & T.Ry.Co. First Mortgage		1903	1933	6	1 365 000		
97	Arkansas and Memphis Ry. Bridge and Term'l. Co., First Mortgage		1914	1964	5	1 215 000	1 215 000	
98	Trinity and Brazos Valley Railway, First Mortgage		1905	1935	6	4 380 000	Unknown	
99	C.R.I. & E.P.Ry., First Mortgage		1902	1952	6	3 600 000		
100	Tuacumcari and Memphis Railway, First Mortgage		1909	1934	6	1 500 000		
101	C.P. & St.-L.R.R. - General Refunding Mortgage		1909	1939	4½	1 000		
102	Missouri Athletic Association, 25 Year Mortgage Gold Bonds		1916	1941	4½	90 000		
103	U.S. Government, 2nd Liberty Loan Conv. Bonds		1927	1942	4½	90 000	87 066	
104	Total Bonds					\$39 211 011		
Notes:								
105	Pt.-Smith, Subiaco and Eastern Railway		1916	1924		\$ 31 500	\$ 31 500	31 500
106	Little Rock Board of Commerce, Certificates of Indebtedness		1921	1924		5 844	5 844	5 844
107	Total Notes					\$ 37 344	\$ 37 344	37 344

		First & Refunding Gold Bond Mortgage	10 000 000
48	" " "		
49	" " "		
50	" " "		
51	" " "		
52	Miscellaneous investments)		
53	Miscellaneous investments		
54	" "		
55	" "		
56	" "		
57	Construction purposes		
58	Miscellaneous investments		
59	" "		
60	" "		
61	" "		
62	" "		
63	" "		
64	" "		
65	" "		
66	" "		
67	" "		
68	Construction purposes		
69	Stock yard facilities		
70			
71			
72	Purchase of coal lands	First & Refunding Gold Bond Mortgage	638 000
73	Shop property		
74	Shop property	First & Refunding Gold Bond Mortgage	167 000
75	Terminal facilities	" " " " "	420 000
76	" " " " "	" " " " "	445 000
77	" " " " "	" " " " "	330 000
78	" " " " "		
79	" " " " "		
80	Miscellaneous investments		
81	Switching facilities		
82	Miscellaneous investments		
83	Terminal facilities		
84	Terminal facilities	First & Refunding Gold Bond Mortgage	863 000
85	Control of line		
86	" " " " "		
87	Control of line	First & Refunding Gold Bond Mortgage	113 000
88	Terminal facilities		
89	" " " " "		
90	Advances for construction		
91	Control of line)		
92	" " " ")		
93	" " " ")		
94	" " " ")	First & Refunding Gold Bond Mortgage	376 000
95	" " " ")		
96	" " " ")		
97	Bridge facilities		
98	One-half interest in road		
99	Purchase of line		
100	Purchase of line	First & Refunding Gold Bond Mortgage	982 000
101	Payment of debt		
102	Miscellaneous investments		
103	" " " " "		
104			
105	Payment of debt		
106	" " " " "		
107			

TABLE V.—PURPOSES FOR WHICH STOCKS AND BONDS DESCRIBED IN TABLE IV WERE ACQUIRED, AND STATEMENT OF STOCKS, BONDS OR OTHER OBLIGATIONS OF REPORTING COMPANY ISSUED THEREFOR OR THEREUPON, WITH TOTAL PAR AND MARKET OR ACTUAL VALUE OF THE SAME

9

PURPOSE FOR WHICH ACQUIRED	DESCRIPTION OF STOCK, BONDS OR OTHER OBLIGATIONS ISSUED THEREFOR	CAPITAL STOCK No of shares	TOTAL VALUES	
			Par Value	
1 Acquired through purchase of R-I & P-Ry-Co.				565
2 Fuel purposes				
3				
4 Terminal facilities				
5 Construction purposes	C-R-I & P-Ry. Capital Stock - Common	286	28 600	
6 Terminal facilities				
7 Control of line				
8 Control of line	Gold Bonds of 1902		23 869 000	
9 Terminal facilities				
10				
11				
12				
13				
14 Control of line				
15 Terminal facilities				
16 Use of bridge facilities				
17				
18 Depot facilities				
19 Belt line facilities				
20 Terminal facilities				
21				
22 Depot facilities				
23 Belt line facilities				
24 Control of line				
25				
26 Depot facilities				
27				
28 Terminal facilities				
29 Miscellaneous investments				
30 Terminal facilities				
31 Miscellaneous investments				
32 Terminal facilities				
33 Depot facilities				
34 Control of line				
35				
36 Terminal facilities				
37				
38 Control of line				
39 Depot facilities				
40 Control of line				
41 Depot facilities				
42 Terminal facilities				
43 Belt line facilities	First & Refunding Gold Bond Mortgage		240 000	
44 One-half interest in road				
45 Terminal facilities				
46 Through purchase of line				
47				
Total				

TABLE VI.—INVESTMENT IN ROAD AND EQUIPMENT—ENTIRE LINE ☆
(Abstract of Report to Interstate Commerce Commission)

Line No	ACCOUNT (a)	Investment in road and equipment, July 1, 1914, to close of preceding year (b)	Investment in new lines and extensions during year (c)	INVESTMENTS IN ADDITIONS AND BETTERMENTS DURING THE YEAR		Total investment in road and equipment during the year (f)	Total investment in road and equipment since June 30, 1914 (g)	Total investment in road and equipment on Dec. 31, 1921 (h) ☆	Remarks (i)
				Made on owned lines (d)	Made on leased lines (e)				
1	Engineering	254 153 18		3 378 41	902 36	4 280 77	258 433 95		
2	Land for transportation purposes,	1 088 998 66		78 451 06	27 899 21	50 551 85	1 038 446 81		
3	Grading,	2 691 537 61		69 679 61	72 740 44	142 420 05	2 833 957 66		
4	Underground power tubes,	2 062 99		-	-		2 062 99		
5	Tunnels and subways,	5 84		-	-		5 84		
6	Bridges, trestles and culverts,	6 109 579 73		152 673 90	118 958 14	271 631 04	6 381 211 37		
7	Elevated structures,	-		-	-				
8	Ties,	402 509 81		46 485 58	7 493 94	53 981 52	456 491 33		
9	Rails,	3 250 877 13		186 883 82	84 480 60	271 366 42	3 522 243 55		
10	Other track material,	3 893 141 44		447 396 34	147 881 83	595 478 19	4 488 619 63		
11	Ballast,	1 605 879 94		197 331 04	19 234 82	216 566 66	1 822 446 60		
12	Track laying and surfacing,	1 212 782 42		91 884 51	19 292 26	111 176 77	1 323 959 19		
13	Right-of-way fences,	141 406 97		400 22	1 148 27	748 05	140 658 92		
14	Snow and sand fences and snow sheds,	6 466 22		-	-		6 466 22		
15	Crossings and signs,	605 072 17		46 840 10	13 624 20	60 464 30	665 536 47		
16	Station and office buildings,	1 448 908 72		102 798 29	10 360 09	113 158 38	1 562 067 10		
17	Roadway buildings,	110 207 96		6 011 44	3 520 59	9 532 03	119 739 99		
18	Water stations,	624 158 85		189 610 66	6 307 56	195 918 22	820 077 07		
19	Fuel stations,	107 692 06		36 712 84	784 11	37 496 95	143 189 01		
20	Shops and enginehouses,	1 703 159 56		76 928 34	6 975 37	69 952 97	1 773 112 53		
21	Grain elevators,	466 398 63		100 473 05		100 473 05	566 871 68		
22	Storage warehouses,	8 242 93					8 242 93		
23	Wharves and docks,	21 886 61					21 886 61		
24	Coal and ore wharves,	-					-		
25	Gas producing plants,	-					-		
26	Telegraph and telephone lines,	85 349 43		12 629 89	79	12 630 68	97 980 13		
27	Signals and interlockers,	398 843 46		21 886 83	613 23	21 700 06	372 543 52		
28	Power dams, canals, and pipe lines,	25 12					25 12		
29	Power plant buildings,	62 600 90		130 86		130 86	62 731 76		
30	Power substation buildings,	-							
31	Power transmission systems,	4 041 12		725 23		725 23	4 766 35		
32	Power distribution systems,	3 188 51		690 71	11 22	701 93	3 890 44		
33	Power line poles and fixtures,	340 71		65 82		65 82	406 53		
34	Underground conduits,	-							
35	Miscellaneous structures,	18 091 66		95 58		95 58	18 187 24		
36	Paving,	33 307 71		2 405 47	8 361 87	10 767 34	44 075 03		
37	Roadway machines,	206 573 02		35 964 08	3 834 59	32 129 49	238 702 51		

Respondent is unable to furnish data under column (h) because not available; neither its books nor those of its predecessors were kept in such manner as to show investment in road and equipment by primary accounts, nor can its investment accounts be restated by such accounts.

☆ Includes, in addition to C.R.I. & P.Ry.Co., abstracts of reports to I.C.C. of St.P. & K.C.S.L.R.R.Co. and K. & D.M.Ry.Co. respectively.

TABLE VII.—INVESTMENT IN ROAD AND EQUIPMENT—IOWA

Line No.	Account (a)	Investment in road and equipment, July 1, 1914, to close of preceding year (b)	Investment in new lines and extensions during year (c)	INVESTMENTS IN ADDITIONS AND BETTER- MENTS DURING THE YEAR		Total investment in road and equip- ment during the year (f)	Total investment in road and equip- ment since June 30, 1914 (g)	Total investment in road and equip- ment on Dec. 31, 1921 (h)	Remarks (i)
				Made on owned lines (d)	Made on leased lines (e)				
1	Engineering								
2	Land for transportation purposes,								
3	Grading,								
4	Underground power tubes,								
5	Tunnels and subways,								
6	Bridges, trestles and culverts,								
7	Elevated structures,								
8	Ties,								
9	Rails,								
10	Other track material,								
11	Ballast,								
12	Track laying and surfacing,								
13	Right-of-way fences,								
14	Snow and sand fences and snow sheds,								
15	Crossings and signs,								
16	Station and office buildings,								
17	Roadway buildings,								
18	Water stations,								
19	Fuel stations,								
20	Shops and enginehouses,								
21	Grain elevators,								
22	Storage warehouses,								
23	Wharves and docks,								
24	Coal and ore wharves,								
25	Gas producing plants,								
26	Telegraph and telephone lines,								
27	Signals and interlockers,								
28	Power dams, canals, and pipe lines,								
29	Power plant buildings,								
30	Power substation buildings,								
31	Power transmission systems,								
32	Power distribution systems,								
33	Power line poles and fixtures,								
34	Underground conduits,								
35	Miscellaneous structures,								
36	Paving,								
37	Roadway machines,								

Respondent is unable to furnish data under Table VII, because not available; its investment in Road and Equipment accounts were not and are not kept by primary accounts for the several states, including Iowa.

	Total	Federal Government	State and local governments	All Governments
38 Roadway small tools.				
39 Assessments for public improvements.				
40 Revenues and operating expenses during construction.				
41 Cost of road purchased.				
42 Reconstruction of road purchased.				
43 Other expenditures—Road.				
44 Shop machinery.				
45 Power plant machinery.				
46 Power substation apparatus.				
47 Unapplied construction material.				
47-A Adaptation, solidification and seasoning supplies.				
48 Total expenditures for roads.	\$ 290 708 81	765 895 20	58 779 78	824 665 98 & 115 572 79
49 Steam locomotives.				
50 Other locomotives.				
51 Freight-train cars.				
52 Passenger-train cars.				
53 Motor equipment of cars.				
54 Floating equipment.				
55 Work equipment.				
56 Miscellaneous equipment.				
57 Total expenditures for equipment.				
58 Organization expenses.				
59 General officers and clerks.				
60 Law.				
61 Stationery and printing.				
62 Taxes.				
63 Interest during construction.				
64 Other expenditures—General.				
65 Total general expenditures.				
66 Materials and supplies for replacement and repairs.				
67 Working capital.				
68 Total 66-67.				
GRAND TOTAL,				

RESPONDENT'S INVESTMENT IN ROAD AND EQUIPMENT AT CLOSE OF YEAR

Line No.	ITEM (a)	ENTIRE LINE			STATE	REMARKS (f)
		Leased Lines (b)	Owened Lines (c)	Total (d)	Owened Lines (e)	
91	Investment to June 30, 1907—Road,	1,099,650-22	167,917,023-05	168,936,673-27		
92	Investment to June 30, 1907—Equipment,		30,974,666-13	30,974,666-13	Data	
93	Investment from July 1, 1907, to June 30, 1914—Road,	3,378,581-41	32,074,866-61	35,453,448-02		
94	Investment from July 1, 1907, to June 30, 1914—Equipment,		21,486,289-07	21,486,289-07	not	
95	Investment from July 1, 1907, to June 30, 1914—General expenditures,		691,198-81	691,198-81		
96	Investment since June 30, 1914—Road,	3,632,933-43	30,326,783-02	30,326,783-02	available.	
97	Investment since June 30, 1914—Equipment,		17,779,052-47	17,779,052-47		
98	Investment since June 30, 1914—General expenditures,	3,001-78	1,095,913-31	1,098,915-09		
99	Total investment in road and equipment,	8,074,166-84	298,692,859-04	306,767,025-88		
100	Length or road owned,		5,709-02 Miles		Mile:	
101	Average investment per mile of road, exclusive of improvements on leased lines,		52,319-46			

TABLE VII.—A. VALUE—PRESENT VALUE—IOWA
(By present value is meant the cost to reproduce new, less depreciation.)

570	Present value as of date Dec. 31, 1920	Present value as of date Dec. 31, 1921	Tentative or final value fixed by Interstate Com- merce Commission brought to date Dec. 31, 1921	This column for use of Executive Council	This column for use of Executive Council	This column for use of Executive Council
1 Engineering						
2 Land for transportation purposes.						
3 Grading.						
4 Underground power tubes.						
5 Tunnels and subways.						
6 Bridges, trestles and culverts.						
7 Elevated structures.						
8 Ties.						
9 Rails.						
10 Other track material.						
11 Ballast.						
12 Track laying and surfacing.						
13 Right-of-way fences.						
14 Snow and sand fences and snow sheds.						
15 Crossings and signs.						
16 Station and office buildings.						
17 Roadway buildings.						
18 Water stations.						
19 Fuel stations.						
20 Shops and enginehouses.						
21 Grain elevators.						
22 Storage warehouses.						
23 Wharves and docks.						
24 Coal and ore wharves.						
25 Gas producing plants.						
26 Telegraph and telephone lines.						
27 Signals and interlockers.						
28 Power dams, canals, and pipe lines.						
29 Power plant buildings.						
30 Power substation buildings.						
31 Power transmission systems.						
32 Power distribution systems.						
33 Power line poles and fixtures.						
34 Underground conduits.						
35 Miscellaneous structures.						
36 Paving.						
37 Roadway machines.						

Respondent does not possess data called for by Table VII-A. It has no information as to the cost to reproduce new, less depreciation, of its property in Iowa as of either December 31st, 1920, or December 31st, 1921. Respondent is not advised that the Interstate Commerce Commission has fixed any tentative or final value of respondent's property in Iowa as of any date, except that said Commission fixed a tentative value as of June 30th, 1915, of the properties of the St. P. & K.C.S.L.R.R.Co. and of Keokuk & Des Moines Ry.Co., respectively, but respondent says that such tentative valuations, respectively, have not, to its knowledge, been brought to date, December 31st, 1921, by said Commission or by any one.

SEE NOTE ON PAGE 14.

TABLE VIII.—MILEAGE
A. MILEAGE OF LINE OPERATED (ALL TRACKS) DEC. 31, 1921.

LINE IN USE	LINE REPRESENTED BY CAPITAL STOCK		Line of proprietary companies	Line operated under lease	Line operated under contract etc.	Line operated under trackage rights	Total mileage operated	New line constructed during year	Line Owned-Not Operated	REMARKS
	Main line	Branches and spurs								
Single track	3,328 81	2,027 43		1,692 74	152 82	459 89	7,661 69	26	6.54	
Second track	292 34	17 09		2 48	9 52	135 22	456 63	2 32		
Third track	10 51						10 51			
Fourth track	40						40			
Yard track and sidings	1,343 17	378 80		583 64	22 48		2,328 09		1.16	
Totals	4,975 23	2,423 32		2,278 86	184 82	595 11	10,457 34	2 58	7.70	

B. MILEAGE OF LINE OPERATED, BY STATES AND TERRITORIES (SINGLE TRACK) DEC. 31, 1921

STATE OR TERRITORY	LINE REPRESENTED BY CAPITAL STOCK		Line of proprietary companies	Line operated under lease	Line operated under contract etc.	Line operated under trackage rights	Total single track mileage operated	Miles of second track	Miles of third track	Miles of fourth track	Miles of yard track and sidings	Total mileage operated	New line constructed during year
	Main line	Branches and spurs											
Illinois	182 03	135 43	-	46 97	-	88 28	364 83	199 12	10 51	-	400 18	974 64	
Iowa	997 13	863 07	-	182 93	152 82	77 45	2,284 23	109 55	-	-	612 04	3,005 82	
Missouri	370 26	147 70	-	-	-	46 15	567 41	33 87	-	-	145 74	777 02	
Minnesota	134 26	99 98	-	-	-	-	280 39	19 25	-	-	50 62	380 26	
South Dakota	73 27	9 87	-	-	-	-	83 14	-	-	-	8 75	91 89	
Kansas	850 46	205 94	-	14 69	-	73 53	1,144 62	80 99	-	-	347 93	1,573 56	
Nebraska	124 21	121 35	-	-	-	4 90	250 46	4 90	-	-	52 87	308 23	
Colorado	165 85	-	-	-	-	91 85	257 70	4 27	-	-	28 88	290 85	
New Mexico	152 99	-	-	-	-	-	152 99	-	-	-	24 48	177 47	
Oklahoma	278 31	405 41	-	645 03	-	20 96	1,349 71	-	-	-	391 03	1,740 74	26
Arkansas	-	38 68	-	655 40	-	11 46	705 54	3 85	-	-	222 46	931 03	2 32
Louisiana	-	-	-	147 72	-	39 36	387 08	-	-	-	36 18	223 26	
Tennessee	04	-	-	-	-	3 95	3 99	85	-	-	6 91	11 73	
Totals	3,328 81	2,027 43	-	1,692 74	152 82	459 89	7,661 69	456 65	10 51	-	40 2328 09	10457 34	2 58

C. MILEAGE OF LINE OWNED, BY STATES AND TERRITORIES (SINGLE TRACK) DEC. 31, 1921

STATE OR TERRITORY	LINE REPRESENTED BY CAPITAL STOCK		Miles of second track	Miles of third track	Miles of fourth track	Miles of yard track and sidings	Total mileage owned	New line constructed during year	REMARKS
	Main line	Branches and spurs							
Illinois	182 03	135 43	199 12	10 51	-	364 94	892 43		
Iowa	997 13	863 07	93 64	-	-	315 32	2,469 36		
Missouri	370 26	147 70	6 18	-	-	145 74	669 88		
Minnesota	134 26	99 98	19	-	-	50 62	285 05		
South Dakota	73 27	9 87	-	-	-	8 75	91 89		
Kansas	850 46	205 94	10 30	-	-	346 63	1,413 33		
Nebraska	124 21	121 35	-	-	-	52 87	298 43		
Colorado	165 85	-	-	-	-	28 88	194 73		
New Mexico	152 99	-	-	-	-	24 48	177 47		
Oklahoma	285 82	405 41	-	-	-	176 30	867 33		
Arkansas	-	38 68	-	-	-	5 24	43 92		
Louisiana	-	-	-	-	-	-	-		
Tennessee	04	-	-	-	-	3 26	3 30		
Totals	3,336.32	2,027.43	309.43	10.51	.40	1,723.23	7,407.32	None	

Report of - THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY.

TABLE IX.—ABSTRACT OF INCOME ACCOUNT COVERING TWO YEARS, 1920 AND 1921—EACH STATE THROUGH WHICH ROAD OPERATES SEPARATELY AND SYSTEM
(This account should be made in accordance with rules prescribed in the Uniform System of Accounts for Steam Railway Corporations by Interstate Commerce Commission)

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	STATE OF IOWA			SYSTEM		
	1917	1918	1919	1917	1918	1919
1 OPERATING INCOME						
2 *Railway Operating Revenues	\$20,830,108.98	\$23,673,149.74	\$27,105,566.72	\$86,051,972.66	\$99,869,556.65	\$111,578,655.48
3 *Railway Operating Expenses—Total (Taxes excluded)	16,623,446.24	22,486,192.07	25,979,049.98	63,757,311.35	86,222,932.94	97,394,090.46
4 Maintenance of way and structures	2,805,663.65	4,172,117.67	5,244,535.34	10,440,692.24	10,759,855.19	19,016,613.91
5 Maintenance of way and structures—Depreciation	—	—	—	—	—	—
6 Maintenance of equipment	3,812,445.63	6,066,879.35	6,458,304.63	14,733,488.05	23,190,980.97	23,933,599.02
7 Maintenance of equipment—Depreciation	403,950.12	414,409.02	504,671.51	1,569,246.31	1,591,413.82	1,852,309.89
8 Traffic	436,093.15	311,976.33	338,441.21	1,675,172.35	1,177,790.36	1,348,048.44
9 Transportation—Rails and water	9,484,239.80	10,758,212.19	12,565,733.94	32,718,049.33	43,643,829.62	48,144,860.32
10 Miscellaneous operations	142,585.73	151,645.33	195,698.08	559,001.60	593,399.68	743,809.95
11 General	580,154.30	632,880.14	744,980.21	2,233,785.90	2,409,241.13	2,779,313.72
12 Transportation for investment	71,706.14	22,127.95	72,894.94	292,114.43	135,577.83	327,144.80
13 *Net Revenue from Railway Operations	4,196,662.74	1,186,957.67	1,126,526.74	22,294,661.31	13,647,623.71	14,184,165.02
14 *Railway tax accruals	884,157.01	1,126,290.91	1,007,686.68	4,189,408.27	4,826,784.06	4,843,863.20
15 *Uncollectible railway revenues	5,150.98	1,443.23	1,187.67	23,747.37	9,530.32	8,464.13
16 *Railway Operating Income**	3,307,354.75	59,217.53	77,642.39	18,081,310.67	8,813,309.35	9,331,837.69
17 Revenues from miscellaneous operations						
18 Expenses of miscellaneous operations						
19 Net revenue from miscellaneous operations						
20 Taxes on miscellaneous operating property						
21 Miscellaneous operating income						
22 Total Operating Income**				18,081,310.67	8,813,309.35	9,331,837.69
23						
24						
25 Gross Income**				21,021,343.76	10,972,618.61	11,856,050.01
26						
27 DEDUCTIONS FROM GROSS INCOME						
28 Interest on funded debt				8,804,672.60	7,523,391.49	7,643,696.16
29 Interest on unfunded debt				278,216.86	331,504.80	1,255,313.06
30 Amortization of discount on funded debt						
31 Total Deductions from Gross Income				13,560,968.47	12,373,565.22	13,572,005.90
32 Net Income*				7,460,375.29	1,600,946.81	1,715,251.17
33						
34 DISTRIBUTION OF NET INCOME						
35 Dividend Appropriations of Income						
36 Total Appropriations of Income						
37 Income **Balance Transferred to Profit and Loss						
38						
39 Railway Operating Revenues	\$20,830,108.98	\$23,673,149.74	\$27,105,566.72	\$86,051,972.66	\$99,869,556.65	\$111,578,655.48
40 Railway Operating Expenses plus Taxes (Total items 3, 14, 15)	17,522,754.23	23,613,932.21	27,027,924.33	67,970,661.99	91,056,247.30	102,246,817.79
41 Net Revenue. (Taxes deducted) Subtract item 40 from item 39	3,307,354.75	59,217.53	77,642.39	18,081,310.67	8,813,309.35	9,331,837.69

* Includes operation of water lines, if any.

** Deficit in red

[illegible]

TABLE IX.—ABSTRACT OF INCOME ACCOUNT COVERING TWO YEARS, 1920 AND 1921—EACH STATE THROUGH WHICH ROAD OPERATES SEPARATELY AND SYSTEM
(This account should be made in accordance with rules prescribed in the Uniform System of Accounts for Steam Railway Corporations by Interstate Commerce Commission)

	STATE OF IOWA				SYSTEM				STATE OF Illinois			
	1920		1921		1920		1921		1920		1921	
1 OPERATING INCOME												
2 *Railway Operating Revenues	31	614 563 52	30	035 717 80	135	063 039 03	131	598 560 13	22	413 252 03	21	168 396 92
3 *Railway Operating Expenses—Total (Taxes excluded)	34	152 692 51	27	624 798 93	127	809 277 38	108	492 617 16	20	072 280 62	16	911 648 71
4 Maintenance of way and structures	7	575 001 72	5	360 047 16	25	624 531 92	19	741 083 94	3	402 610 41	2	390 037 54
5 Maintenance of way and structures—Depreciation												
6 Maintenance of equipment	8	107 384 34	6	595 331 23	30	826 603 44	26	265 569 45	4	738 715 32	4	079 937 09
7 Maintenance of equipment—Depreciation		656 030 09		537 257 71		2 511 176 47		2 165 583 34		374 085 73		329 357 38
8 Traffic		462 221 50		530 791 12		1 717 938 71		2 070 739 20		249 469 84		307 220 63
9 Transportation—Rails and water	16	366 179 26	13	741 724 19	63	620 933 25	54	804 032 45	10	881 028 23	9	243 831 77
10 Miscellaneous operations		237 176 66		198 434 15		965 520 78		787 872 90		197 398 32		171 973 89
11 General		856 898 15		739 349 26		3 234 381 07		2 919 141 73		457 145 68		413 230 71
12 Transportation for investment		103 199 21		98 833 89		691 498 26		251 675 45		372 91		15
13 *Net Revenue from Railway Operations	2	538 128 99	2	410 918 07	7	253 761 65	23	105 942 97	2	340 971 41	4	256 748 21
14 *Railway tax accruals	1	368 085 80	1	373 759 55	5	655 869 52	5	475 691 18				
15 *Uncollectible railway revenues		2 133 14		2 771 17		14 402 54		21 047 49				
16 *Railway Operating Income**	3	909 147 93	1	034 388 15	1	583 489 59	17	609 204 30				
17 Revenues from miscellaneous operations												
18 Expenses of miscellaneous operations												
19 Net revenue from miscellaneous operations												
20 Taxes on miscellaneous operating property												
21 Miscellaneous operating income												
22 Total Operating Income**						1 583 489 59	17	609 204 30				
23												
24												
25 Gross Income**						3 693 669 41	20	717 551 21				
26												
27 DEDUCTIONS FROM GROSS INCOME												
28 Interest on funded debt						8 126 393 69	8	575 651 10				
29 Interest on unfunded debt						1 513 577 72		917 101 55				
30 Amortization of discount on funded debt												
31 Total Deductions from Gross Income						14 996 297 93	16	547 927 78				
32 Net Income*						11 302 628 52	4	169 623 43				
33												
34 DISPOSITION OF NET INCOME												
35 Dividend Appropriations of Income												
36 Total Appropriations of Income												
37 Income **Balance Transferred to Profit and Loss												
38												
39 Railway Operating Revenues	31	614 563 52	30	035 717 80	135	063 039 03	131	598 560 13				
40 Railway Operating Expenses plus Taxes (Total items 3, 14, 15)	35	523 711 45	29	001 329 65	133	479 549 44	113	989 355 83				
41 Net Revenue. (Taxes deducted) Subtract item 40 from item 39	3	909 147 93	1	034 388 15	1	583 489 59	17	609 204 30				

* Includes operation of water lines, if any.

** Deficit in red

Notes:— Above figures include Federal lap-overs audited during the years 1920 and 1921.

	STATE OF Missouri				STATE OF Minnesota				STATE OF South Dakota				STATE OF Nebraska				STATE OF Colorado				State of Kansas		State of Oklahoma																																		
	1920		1921		1920		1921		1920		1921		1920		1921		1920		1921		1920	1921	1920	1921																																	
1																																																									
2	10	364	476	9610	320	393	88	3	703	698	24	3	176	412	42	220	551	74	185	288	28	2	696	193	60	2	488	781	39	2	689	142	95	2	337	225	85	26	657	769	37	26	890	135	72	20	821	832	97	20	150						
3	11	068	605	46	9	791	089	24	3	624	437	75	2	835	122	07	414	006	64	391	442	41	3	346	869	70	2	607	263	94	2	911	756	76	2	427	924	69	22	972	610	89	18	982	703	45	16	860	879	07	15	051					
4	2	047	262	92	1	870	443	37	732	020	02	513	071	42	132	960	61	108	073	14	814	141	90	540	769	24	536	374	51	460	816	22	4	362	270	88	2	982	488	84	2	912	998	70	2	832											
5																																																									
6	2	677	515	59	2	341	403	86	826	810	79	629	481	97	68	743	45	61	145	30	650	394	89	504	140	67	751	315	48	557	845	95	5	975	479	99	5	181	964	59	4	301	976	30	3	657											
7		231	084	55		194	800	36		63	299	83		49	254	73		4	406	58		4	327	44		46	192	36		38	946	30		55	422	65		44	155	33		495	459	44		431	674	53		353	294	13		303			
8		147	416	51		180	511	21		51	913	43		53	503	11		5	357	54		7	072	11		43	737	95		51	476	98		50	238	08		33	850	80		329	049	27		401	188	20		230	438	03		289			
9	5	679	819	99	4	922	679	03	1	816	151	66	1	902	006	74	191	970	22	200	625	79	1	661	496	57	1	359	314	02	1	379	400	86	1	210	616	35	11	070	187	87	9	293	965	40	8	735	976	19	7	611					
10		41	086	25		45	784	78		42	084	96		14	972	63		-	-		54	057	76		43	965	51		51	498	27		31	097	60		204	136	14		174	759	52		7	897	95		6								
11		274	316	64		249	690	11		98	265	41		76	872	39	10	867	28	10	777	13		83	049	77		72	994	55		95	257	02		77	652	82		606	462	62		542	536	54		427	959	66		398					
12		29	896	99		14	223	48		6	112	35		4	040	92		299	04		578	50		6	201	50		4	345	33		7	750	11		8	110	48		70	435	32		25	874	17		109	665	89		47					
13		704	128	50		529	304	64		79	260	49		341	290	35	193	454	90	206	154	13		650	676	10		118	482	55		223	573	81		90	698	84		3	685	158	48		7	907	432	27		3	960	953	90		5	098	

		State of Kansas		State of Oklahoma		State of Arkansas		State of Louisiana		State of New Mexico		State of Tennessee	
		1920	1921	1920	1921	1920	1921	1920	1921	1920	1921	1920	1921
25	85	26 657 769 37	26 890 135 72	20 821 832 97	20 150 685 99	10 424 921 99	10 737 062 96	936 154 74	1 781 919 32	2 219 785 04	2 108 653 54	301 655 88	217 886 06
24	69	22 972 610 89	18 982 703 45	16 860 879 07	15 051 714 21	9 087 602 81	8 095 552 28	1 218 540 77	1 514 591 19	1 691 621 09	1 973 636 29	387 373 31	285 129 75
16	22	4 362 270 88	2 982 488 84	2 912 998 70	2 832 435 51	2 271 445 71	1 712 458 14	375 867 54	338 981 43	417 114 99	591 472 11	44 462 01	29 189 82
45	95	5 975 479 99	5 181 964 59	4 301 976 30	3 657 773 68	2 052 542 35	1 872 178 72	271 922 63	347 522 59	385 891 11	424 564 46	17 991 20	13 279 34
35	33	495 459 44	431 674 53	353 299 13	303 373 95	179 915 35	170 048 76	25 235 41	34 406 17	25 862 01	26 282 07	884 34	798 61
50	80	329 049 27	401 188 20	230 438 03	289 127 42	112 562 41	142 545 98	18 457 71	31 522 51	16 577 85	21 419 44	498 59	509 69
16	35	11 070 197 87	9 293 965 40	8 735 976 19	7 611 452 59	4 330 479 47	3 986 864 33	493 693 83	725 186 93	773 096 26	816 269 48	241 452 84	187 495 83
97	60	204 136 14	174 759 52	7 897 95	6 860 37	51 136 30	43 639 49	-	-	7 289 36	6 217 52	71 754 81	51 067 44
32	82	606 462 62	542 536 54	427 959 66	398 373 00	210 203 78	200 615 55	35 886 68	42 605 84	67 738 86	87 813 02	10 329 52	6 630 81
10	48	70 435 32	25 874 17	109 665 89	47 682 31	120 682 56	32 798 69	2 523 03	5 634 28	1 949 35	401 81	-	3 841 79
98	84	3 685 158 48	7 907 432 27	3 960 953 90	5 098 971 78	1 337 319 18	2 641 510 68	282 386 03	267 328 13	528 163 95	135 017 25	85 717 43	67 243 69

TABLE N—INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1921—IOWA
Give the Income Account of the respondent for the year in accordance with the rules prescribed in the Uniform System of Accounts
for Steam Railway Corporations

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
1	I. OPERATING INCOME			
2	(501) •Railway operating revenues	\$ 30,035,717.80	\$ 1,578,845.72	
3	(531) •Railway operating expenses	27,624,796.93	6,527,893.58	
4	•Net revenue ** from railway operations	2,410,920.87	4,949,047.86	
5	(532) •Railway tax accruals	1,373,759.55	4,873.75	
6	(533) •Uncollectible railway revenues		638.03	
7	•Railway operating income**	2,771.17	4,943,536.08	
8	(502) Revenue from miscellaneous operations			
9	(534) Expenses of miscellaneous operations			
10	Net revenue** from miscellaneous operations			
11	(535) Taxes on miscellaneous operating property			
12	Miscellaneous operating income**			
13	Total operating income**			
14	II. NON-OPERATING INCOME			
15	(503) Hire of freight cars—Credit balance			
16	(504) Rent from locomotives			
17	(505) Rent from passenger-train cars			
18	(506) Rent from floating equipment			
19	(507) Rent from work equipment			
20	(508) Joint facility rent income			
21	(509) Income from lease of road			
22	(510) Miscellaneous rent income			
23	(511) Miscellaneous nonoperating physical property			
24	(512) Separately operated properties—Profit			
25	(513) Dividend income			
26	(514) Income from funded securities			
27	(515) Income from unfunded securities and accounts			
28	(516) Income from sinking and other reserve funds			
29	(517) Release of premiums on funded debt			
30	(518) Contributions from other companies			
31	(519) Miscellaneous income			
32	Total non-operating income**			
33	Gross income**			
34	III. DEDUCTIONS FROM GROSS INCOME			
35	(520) Hire of freight cars—Debit balance			
36	(527) Rent for locomotives			
37	(528) Rent for passenger-train cars			
38	(529) Rent for floating equipment			
39	(540) Rent for work equipment			
40	(541) Joint facility rents			
41	(542) Rent for leased roads			
42	(543) Miscellaneous rents			
43	(544) Miscellaneous tax accruals			
44	(545) Separately operated properties—Loss			
45	(546) Interest on funded debt			
46	(547) Interest on unfunded debt			
47	(568) Amortization of discount on funded debt			
48	(549) Maintenance of investment organizations			
49	(550) Income transferred to other companies			
50	(551) Miscellaneous income charges			
51	Total deductions from gross income			
52	Net income**			
53	IV. DISPOSITION OF NET INCOME			
54	(552) Income applied to sinking and other reserve funds			
55	(553) Dividend appropriations of income			
56	(554) Income appropriated for investment in physical property			
57	(555) Stock discount extinguished through income			
58	(556) Miscellaneous appropriations of income			
59	Total appropriations of income			
60	Income** balance transferred to Profit and Loss			

* Includes operation of water lines, if any.

** Debit, in red.

TABLE XI.—INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1921.—SYSTEM
Give the Income Account of the respondent for the year in accordance with the rules prescribed in the Uniform System of Accounts
for Steam Railway Corporations

Line No.	Item (a)	Amount applicable to the year (b)	Comparison with preceding year (Increase in black, decrease in red) (c)	Remarks (d)
1	I. OPERATING INCOME			
2	(501) *Railway operating revenues	\$ 131,598,560.13	3,464,476.90	
3	(531) *Railway operating expenses	108,492,617.16	19,316,660.22	
4	*Net revenue ** from railway operations	23,105,942.97	15,652,381.32	
5	(532) *Railway tax accruals	8,475,691.16	180,178.34	
6	(533) *Uncollectible railway revenues	21,007.49	6,644.95	
7	*Railway operating income**	17,609,201.50	16,023,714.71	
8	(502) Revenue from miscellaneous operations			
9	(534) Expenses of miscellaneous operations			
10	Net revenue** from miscellaneous operations			
11	(535) Taxes on miscellaneous operating property			
12	Miscellaneous operating income**			
13	Total operating income**	17,609,201.50	16,023,714.71	
14	II. Non-OPERATING INCOME			
15	(503) Hire of freight cars—Credit balance			
16	(504) Rent from locomotives	151,514.06	31,632.82	
17	(505) Rent from passenger-train cars	239,318.25	60,609.65	
18	(506) Rent from floating equipment			
19	(507) Rent from work equipment	19,578.04	19,396.11	
20	(508) Joint facility rent income	491,989.65	180,217.80	
21	(509) Income from lease of road	3,312.90	3,312.90	
22	(510) Miscellaneous rent income	236,735.17	158,600.93	
23	(511) Miscellaneous nonoperating physical property	58,730.25	17,660.96	
24	(512) Separately operated properties—Profit			
25	(513) Dividend income	102,697.33	98,163.34	
26	(514) Income from funded securities	1,212,078.50	400,943.52	
27	(515) Income from unfunded securities and accounts	563,549.96	292,031.58	
28	(516) Income from sinking and other reserve funds			
29	(517) Release of premiums on funded debt			
30	(518) Contributions from other companies			
31	(519) Miscellaneous income			
32	Total non-operating income**	39,043.20	31,077.00	
33	Gross income**	3,108,346.91	998,167.09	
34	III. DEDUCTIONS FROM GROSS INCOME	20,717,551.21	17,023,861.60	
35	(536) Hire of freight cars—Debit balance			
36	(537) Rent for locomotives	2,293,036.01	1,362,306.74	
37	(538) Rent for passenger-train cars	397,139.75	148,049.86	
38	(539) Rent for floating equipment	309,169.02	204,864.76	
39	(540) Rent for work equipment			
40	(541) Joint facility rents	25,025.44	18,173.80	
41	(542) Rent for leased roads	1,037,717.16	212,439.56	
42	(543) Miscellaneous rents	1,810,913.33	68,579.35	
43	(544) Miscellaneous tax accruals	9,373.50	754.26	
44	(545) Separately operated properties—Loss	232,727.05	232,727.05	
45	(546) Interest on funded debt			
46	(547) Interest on unfunded debt	8,575,651.10	449,237.41	
47	(548) Amortization of discount on funded debt	917,101.55	596,476.17	
48	(549) Maintenance of investment organizations			
49	(550) Income transferred to other companies			
50	(551) Miscellaneous income charges			
51	Total deductions from gross income	140,071.47	13,726.45	
52	Net income**	16,547,927.78	1,553,629.85	
53	IV. DISPOSITION OF NET INCOME	4,169,623.43	15,472,251.95	
54	(552) Income applied to sinking and other reserve funds			
55	(553) Dividend appropriations of income			
56	(554) Income appropriated for investment in physical property	3,567,695.00	210.00	
57	(555) Stock discount extinguished through income			
58	(556) Miscellaneous appropriations of income			
59	Total appropriations of income	3,567,695.00	210.00	
60	Income** balance transferred to Profit and Loss	601,928.43	15,472,041.95	

* Includes operation of water lines, if any.

** Deficit, in red.

State or Jurisdiction	Total Actual Value			★ Average Actual Value Per Mile of Road		
	1919	1920	1921	1919	1920	1921
Illinois	\$21,797,420.00	\$23,117,860.00	\$24,106,280.00	\$ 59,812.36	\$ 63,435.67	\$ 66,147.90
Iowa	68,272,384.00	68,272,384.00	61,445,148.00	30,730.62	29,887.66	26,899.72
Missouri	8,511,606.00	8,513,729.00	14,897,372.00	14,247.51	14,254.41	24,936.59
Minnesota		No value given.				
South Dakota	2,551,474.00	2,556,028.00	2,638,889.00	30,688.88	30,743.66	31,740.30
Nebraska	10,651,600.00	11,503,355.00	11,502,985.00	42,528.14	45,928.91	45,927.43
Colorado	6,779,700.00	6,525,510.00	6,317,240.00	26,308.49	25,322.11	24,513.93
Kansas	52,704,294.00	53,158,412.00	53,189,019.00	46,045.23	46,441.97	46,468.71
Oklahoma	48,041,507.00	48,040,015.00	48,253,977.00	35,779.24	35,556.22	35,725.69
Arkansas	26,037,080.00	26,222,096.00	24,685,766.00	36,795.80	37,165.99	34,988.47
Louisiana	4,507,335.00	4,537,907.00	4,531,966.00	24,093.08	24,256.50	24,224.74
New Mexico	5,329,715.00	5,567,401.00	4,763,162.00	34,837.01	36,390.62	31,133.81
Tennessee	556,691.00	1,263,201.00	1,322,938.00	139,521.55	316,591.72	331,563.40

State or Jurisdiction	Total Taxes Paid			★ Average Tax Per Mile of Road			Other Taxes		
	1919	1920	1921	1919	1920	1921	1919	1920	1921
Illinois	\$ 451,170.99	\$ 548,982.16	\$ 666,949.83	\$1,238.29	\$1,506.41	\$ 1,830.11	\$ 7,742.30	\$ 8,719.80	\$ 7,656.50
Iowa	1,138,612.34	1,310,707.78	1,299,980.82	512.52	573.78	569.11	-	-	-
Missouri	135,941.92	150,139.39	150,715.66	227.55	251.31	252.28	12,075.23	17,100.35	16,600.35
Minnesota	158,717.16	183,275.46	153,981.62	563.24	633.64	549.16	-	-	-
South Dakota	36,626.01	43,849.18	45,343.10	440.53	527.41	545.38	-	-	-
Nebraska	121,141.91	137,310.38	169,622.48	483.67	548.23	677.24	645.00	645.00	645.00
Colorado	120,614.34	132,551.48	140,596.81	468.04	514.36	545.58	431.20	431.20	270.20
Kansas	762,030.06	828,559.80	940,850.77	665.74	723.87	821.97	3,720.00	3,720.00	3,570.00
Oklahoma	1,216,013.60	1,299,010.21	1,342,007.65	905.63	961.44	993.57	-	-	-
Arkansas	352,229.91	50,216.56	399,896.25	497.77	510.55	510.10	13,570.71	13,588.06	10,077.35
Louisiana	73,924.66	81,931.90	76,115.15	395.15	459.33	406.85	-	-	-
New Mexico	137,471.98	148,312.63	153,265.78	898.56	969.42	1,001.80	210.00	210.00	210.00
Tennessee	21,794.45	30,811.54	42,863.19	5,462.26	7,471.56	10,742.65	-	-	-
New York	-	-	-	-	-	-	-	358.50	554.00
California	-	-	-	-	-	-	-	-	27.33
Utah	-	-	-	-	-	-	-	-	6.24
Washington	-	-	-	-	-	-	8.47	-	-
U. S. Government ...	-	-	-	-	-	-	370,280.64	574,220.80	63,137.00

★ Based on miles of road operated.

TABLE XIII.—REAL ESTATE IN RIGHT OF WAY, STATIONS AND TERMINALS OWNED IN IOWA.
SUCH GENERAL DESCRIPTION OF THE REAL ESTATE OF THE RAILROAD COMPANY OWNED OR OPERATED IN IOWA BY DIVISIONS, AS WILL BE SUFFICIENT IN A CONVEYANCE THEREOF UNDER A JUDICIAL DECREE DIRECTING A SALE FOR TAXES TO VEST IN THE GRANTEE ALL TITLE AND INTEREST IN AND TO SAID RAILROAD PROPERTY IN IOWA. ALSO A LIKE DESCRIPTION OF THE PERSONAL PROPERTY INCLUDING MONIES AND CREDITS HELD BY THE COMPANY AS A WHOLE SYSTEM, AND THE PART THEREOF APPORTIONED TO THE LINE IN IOWA.

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Note:-

For a description of the above mentioned real estate of The Chicago, Rock Island and Pacific Railway Company, St. Paul and Kansas City Short Line Railroad Company, and Keokuk and Des Moines Railway Company, respectively, see the real estate schedules heretofore filed by them with the Executive Council of Iowa.

The C.R.I. & P. has no schedule of its personal property in Iowa, as the amount and location thereof is constantly fluctuating and changing. This Company does not apportion any of its moneys and credits to the State of Iowa.

SUCH GENERAL (jud)
ANCE THEREOF UNDER A JUDICIAL DECREE DIRECTING A SALE PERSONAL PROPERTY INCLUDING MONIES AND

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SEE NOTE ON PAGE 22.

TABLE XIV.—COMPARATIVE STATEMENTS BY STATES, OF INVESTMENT VALUE, MILEAGE, EARNINGS, OPERATING EXPENSES, TAXES AND TRAIN MILEAGE FOR THE YEARS ENDED DEC. 31, 1920, AND DEC. 31, 1921.

	SYSTEM			STATE OF IOWA		
	1920		1921	1920		1921
1 Mileage Operated:						
2 Total miles of road* operated Dec. 31, 1921,	7 663 15		7 661 69	2 284 30		2 284 23
3 Average miles of road* operated during year ended Dec. 31, 1921,	7 642 02		7 661 61	2 268 04		2 284 29
4 Total mileage of all tracks operated, Dec. 31, 1921,	10 442 05		10 457 34	3 007 57		3 005 82
5 Revenue Train mileage total,	32 770 383		31 910 077	9 117 246		8 493 513
6 Revenue Train miles per mile of road,	4 289		4 165	4 020		3 718
7 Car Mileage:						
8 Freight Car Mileage	520 820 475		517 809 451	133 060 629		126 942 970
9 Passenger Car Mileage	94 051 663		92 005 010	22 583 955		22 375 027
10 Locomotive Mileage	41 243 668		39 393 866	11 202 094		10 323 486
11 Total Car and Locomotive Mileage	656 115 806		649 208 327	166 846 658		159 641 483
12 Gross Operating Revenues, total	135 063 039 03		131 998 560 13	31 614 563 52		30 035 717 80
13 Per mile of road* operated	17 673 73		17 176 36	13 939 16		13 218 82
14 Total Operating Expenses,	127 809 277 38		108 492 617 16	34 152 692 51		27 624 798 93
15 Per mile of road* operated,	16 724 54		14 160 55	13 058 24		12 093 39
16 Per cent of gross operating revenue,	94 63		82 44	108 03		91 97
17 Taxes Accrued, State and Federal Separately,						
(a) State	5 277 481 83		5 430 051 68	1 368 885 80		1 369 095 19
(b) Federal	378 387 69		45 639 50	-		4 664 36
18 Per mile of road* operated						
(a) State	690 59		708 74	603 55		599 35
(b) Federal	49 51		5 96	-		2 04
19 Per cent of gross operating revenue,						
(a) State	3 91		4 13	4 33		4 56
(b) Federal	28		03	-		02
20 Net Revenue from Railway Operations (Taxes deducted)	1 597 892 13		17 630 251 79	3 907 014 79		1 037 159 32
21 Operating Ratio	98 82		86 60	112 36		96 55
22+ Per cent of Total Operating Expenses charged to						
23 Maintenance	44 17		42 41	45 92		43 35
24 Depreciation	1 96		2 00	1 92		1 94
25 Investment value (Table VI)						

*Main track.

	State of Illinois		State of Missouri		State of Minnesota		State of South Dakota		State of Kansas	
	1920	1921	1920	1921	1920	1921	1920	1921	1920	1921
1										
2	364.43	364.43	597.41	597.41	280.39	280.39	83.14	83.14	1,144.62	1,144.62
3	364.43	364.43	597.41	597.41	280.25	280.39	83.14	83.14	1,144.62	1,144.62
4	966.56	974.64	777.02	777.02	349.27	350.26	91.89	91.89	1,572.05	1,573.56
5	4,143.853	4,034.887	2,625.712	2,610.474	1,024.781	862.475	106.254	113.437	6,125.916	6,052.024
6	21.370	11.072	4.395	4.370	3.657	3.076	1.278	1.364	5.351	5.287
7										
8	74,480.707	77,494.620	53,804.280	52,801.711	12,502.488	11,422.767	600.904	611.975	105,909.664	108,091.843
9	16,133.500	15,392.571	6,098.886	6,334.468	2,889.087	2,728.547	206.107	196.784	20,929.631	20,039.039
10	6,423.070	6,026.964	3,134.918	3,061.764	1,156.068	982.210	127.892	138.724	7,473.723	7,273.073
11	97,037.277	98,914.155	63,038.084	62,197.943	16,547.643	15,133.524	934.903	947.483	134,313.018	135,403.957
12	22,413,252.03	21,168,396.92	10,364,476.96	10,320,393.88	3,703,698.24	3,176,412.42	220,551.74	185,288.28	26,657,769.37	26,890,135.72
13	61,502.21	58,086.32	17,349.02	17,275.23	13,215.69	11,328.55	2,652.78	2,228.63	23,289.62	23,492.63
14	20,072,280.62	16,911,648.71	11,068,605.46	9,791,089.24	3,624,437.75	2,835,122.07	414,006.64	391,442.41	22,972,610.89	18,982,703.45
15	55,078.56	46,405.75	18,527.65	16,389.23	12,932.87	10,111.35	4,979.63	4,708.23	20,070.08	16,584.28
16	89.56	79.89	106.79	94.87	97.86	89.26	187.71	211.26	86.18	70.59
17										
	493,597.72	572,611.41	180,605.58	143,966.37	247,365.27	129,285.96	41,899.49	47,332.78	837,247.83	945,107.39
	74,201.83	8,237.93	-	1,022.32	2,497.36	661.77	-	-	116,883.96	15,298.36
18										
	1,354.44	1,571.25	302.31	240.98	882.66	461.09	503.96	569.31	731.46	825.70
	203.61	22.60	-	1.71	8.91	2.36	-	-	102.12	13.37
19										
	2.20	2.71	1.74	1.39	6.68	4.07	19.00	25.55	3.14	3.51
	.33	.04	-	.01	.07	.02	-	-	.44	.06
20	1,773,171.86	3,675,898.87	884,734.08	384,315.95	170,602.14	211,342.62	235,354.33	253,484.41	2,731,026.69	6,947,026.52
21	92.09	82.63	108.54	96.28	104.61	93.35	206.71	236.81	89.76	74.17

	State of Nebraska		State of Colorado		State of New Mexico		State of Oklahoma		State of Arkansas	
	1920	1921	1920	1921	1920	1921	1920	1921	1920	1921
1										
2	250.46	250.46	257.70	257.70	152.99	152.99	1,351.10	1,349.71	705.54	705.54
3	250.46	250.46	257.70	257.70	152.99	152.99	1,346.03	1,349.57	705.88	705.54
4	308.23	308.23	290.85	290.85	177.47	177.47	1,740.36	1,740.74	919.82	931.85
5	883.096	838.351	1,018.784	909.624	90.896	576.149	4,535.991	4,603.844	2,224.320	2,308.638
6	3.526	3.347	3.953	3.530	3.862	3.766	3.370	3.411	3.151	3.272
7										
8	7,120,016	6,664,981	9,086,034	7,688,041	11,733,990	11,918,200	75,541,738	73,223,229	33,806,726	35,029,739
9	2,736,484	2,499,390	3,479,646	3,315,326	1,643,199	1,649,430	11,087,580	10,678,779	5,684,640	6,108,194
10	1,021,550	940,842	1,132,180	994,579	593,274	580,126	5,831,849	5,688,327	2,700,018	2,800,467
11	10,878,050	10,105,213	13,697,860	11,997,946	13,970,463	14,147,776	92,461,167	89,590,335	42,191,384	43,938,400
12	2,696,193.60	2,488,781.39	2,688,182.95	2,337,225.85	2,219,785.04	2,108,653.54	20,821,832.97	20,150,685.99	10,424,921.99	10,737,062.96
13	10,764.97	9,936.84	10,431.44	9,069.56	14,509.35	13,782.95	15,469.07	14,931.19	14,768.69	15,218.22
14	3,346,869.70	2,607,263.94	2,911,756.76	2,427,924.69	1,691,621.09	1,973,636.29	16,860,879.07	15,051,714.21	9,087,602.81	8,095,552.28
15	13,362.89	10,409.90	11,299.01	9,421.52	11,057.07	12,900.42	12,526.38	11,152.97	12,874.15	11,474.26
16	124.13	104.76	108.32	103.88	76.21	93.60	80.98	74.70	87.17	75.40
17										
	139,616.81	158,948.94	143,351.64	136,656.09	146,248.51	156,301.49	1,170,881.88	1,303,821.79	386,801.94	370,981.73
	-	-	-	-	16,762.37	260.15	125,624.71	9,867.26	42,417.26	5,111.62
18										
	557.44	634.63	556.27	530.29	955.93	1,021.64	869.88	966.10	547.97	525.81
	-	-	-	-	110.28	1.70	93.33	7.31	60.09	7.24
19										
	5.18	6.39	5.33	5.85	6.59	7.41	5.62	6.47	3.71	3.46
	-	-	-	-	.76	.01	.60	.05	.41	.05
20	790,292.93	277,431.49	366,925.45	227,354.93	365,152.87	21,544.39	2,664,447.31	3,785,282.73	908,099.98	2,265,417.33
21	129.31	111.15	113.65	109.73	83.55	101.02	87.20	81.22	91.29	78.90

	State of Louisiana		State of Tennessee		REMARKS
	1920	1921	1920	1921	
1					
2	187.08	187.08	3.99	3.99	
3	187.08	187.08	3.99	3.99	
4	222.98	223.26	11.75	11.75	
5	368,497	501,320	5,037	5,341	
6	1,970	2,680	1,263	1,339	
7					
8	3,173,299	5,919,373	- -	- -	
9	538,222	648,203	40,746	39,232	
10	402,374	543,754	44,658	39,550	
11	4,113,895	7,111,330	85,404	78,782	
12	936,154.74	1,781,919.32	301,655.88	217,886.06	
13	5,004.03	9,524.90	75,602.98	54,608.04	
14	1,218,540.77	1,514,591.19	387,373.31	285,129.75	
15	6,513.47	8,095.95	97,086.04	71,461.09	
16	130.16	85.00	128.42	176.76	
17					
	85,689.23	65,954.19	34,931.63	29,423.62	
	- -	515.73	- -	- -	
18					
	458.04	352.55	8,750.28	7,374.34	
	-	2.76	-	-	
19					
	9.15	3.70	11.58	13.50	
	-	.83	-	-	
20	368,075.26	200,858.21	120,649.06	96,667.32	
21	139.32	88.73	140.00	144.37	

587

State of Illinois

County of Cook

We, the undersigned, Carl Nyquist, Vice President

and A. Hermany, Asst. General Auditor of the

The Chicago, Rock Island & Pacific Railway

Company, on our oath do severally say that the foregoing report has been prepared under our direction, and that the statements therein contained are correct according

to the best of our knowledge, information and belief.

Subscribed and sworn to before me,

this 15th day of May, A.D. 1922

(Signed) Carl Nyquist, Vice President

(Signed) A. Hermany, Asst. General Auditor

(Signed) B.M. Hopkins

Notary Public



[fol. 527]

Page 1

Description of Lands and Town Lots Exclusively used in the Operation of The Chicago, Rock Island and Pacific Railway Company in Iowa, with the Actual Value Thereof.

The Value of Buildings should not be given in this Schedule. Reported December 31st, 1921.

Do not use this column (for binding)	Line or division	County	Description							Width		Actual value	For what purpose used	Notation as to changes and disposition
			Part of section or name of sub-division or addition	Name of town or city plat	Sec.	Twp.	Range	Lot numbers	Block No.	In feet	Acres			
	C. R. I. F. & N. W...	Hardin	Railroad Addition	Iowa Falls ...	8-66	ft.	of	5 & 6	6	..	..	\$500.00	Station Grounds	Additional
	Ia. City & Western..	Keokuk	Part N. E. 1/4	(Near Gibson)	18	77	13	....	..	..	.41	82.00	Right-of-Way	Sold
	"	"	" N. E. 1/4	" "	18	77	13	....	..	..	.41	82.00	" " "	Additional

earnings. In making up this schedule the above rules under the head "With Respect to Net Earnings" must be strictly complied with.

Schedule 9 is intended to disclose the expenses of maintenance and operation of all the lines of the company, i. e., its entire system.

Schedule 10 is for a recapitulation of the former schedules, and must in all instances be filled.

Schedule 11 is a report of all sleeping and dining cars, forming a part of the trains of the company, owned wholly or in part by other companies or individuals, and should be carefully observed.

All explanatory remarks must be written on the page or pages found at the close of the schedules and should not be written on the schedules themselves.

This report must be verified by the general auditor of the company, or if there be no such general auditor, then by the officer of the company having general charge of its books and accounts.

This report must be filed not later than the first day of April.

In the "Value" column of the Schedule of Property, the actual value of the property must be stated.

Express all fractions in decimals, and do not extend decimals beyond three points or thousandths. Omit fractions of a dollar in giving values.

This blank must not be changed to meet convenience of reporting information, but be followed strictly.

Should you desire to discuss some feature of this report or the property reported, the next page may be used for statement of facts.

(Here follows table marked side folio page 527.)

[fol. 528] STATE OF ILLINOIS,
County of Cook, ss:

I, J. B. Angell, being duly sworn on my oath say that I am the Chief Right of Way & Tax Agent of The Chicago, Rock Island and Pacific Railway Company, that I have examined the attached list of lands and town lots, being pages 1 to — inclusive; that the lands and town lots therein listed are used exclusively in the operation of the railway of The Chicago, Rock Island and Pacific Railway Company, and are hereby reported to the Executive Council of Iowa in Compliance with the requirements of Chapter 96, Acts of the Thirtieth General Assembly, for the year ending December 31, 1921.

(Signed) J. B. Angell, Chief Right of Way & Tax Agent.

Subscribed in my presence and sworn to before me B. M. Hopkins, a Notary Public in and for said County and State, by J. B. Angell on this, the 9th day of May, 1922. In Witness Whereof, I have heretofore set my hand and seal of office. (Signed) B. M. Hopkins, Notary Public in and for Cook County, State of Illinois. (X. P. Seal.)

Chapter 46, Acts of the Thirtieth General Assembly of Iowa

Railway and other Corporations to Report Real Estate Owned by Them to Executive Council, H. F. 305

An Act Requiring Railway and Other Corporations Owning Real Estate to Report the Same to the Executive Council for Assessment and Amending the Law as it appears in section thirteen hundred thirty-four (1334) of the supplement to the code.

Be it Enacted by the General Assembly of the State of Iowa:

Section 1. Detailed Statements—what to include.—Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred and thirty-four (1334) of the supplement to the code shall, on or before the first day of April, 1905, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December 31, 1904, for railway purposes, in each county in the state in which said real estate is situated, including the right of way, road bed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, roundhouses, machine and repair shops, water tanks, turn-tables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof, in such manner as may be required by the executive council. Only one such detailed statement by any corporation shall be necessary, and when received by the council it shall become the record of railway lands of such corporation, and be deemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite the description of said tract in the original report of the same in the record of railway land.

Sec. 2. Record of railway lands.—The executive council shall, by some convenient method of binding, arrange the statements required to be made under the provision of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands.

Sec. 3. Repealed.—Sub-section three (3) of the law as it appears in section thirteen hundred thirty-four (1334) of the supplement to the code and all other statutes or parts of statutes in conflict herewith are hereby repealed.

Approved March 30, A. D. 1904.

(Here follow tables marked side folio pages 529-554.)

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FOR

FILMING

EXHIBIT No. 8

The Chicago, Rock Island and Pacific Railway Co.

The Chicago, Rock Island and Gulf Railway Co.

Analysis of the Interstate Commerce Commission's Tentative Valuation, Showing Reproduction Cost, Less Depreciation (as of June 30, 1915), Together with Accruals under Valuation Order No. 3 to December 31, 1921, Within the State of Iowa.

Roadway and Structures:

The Chicago, Rock Island & Pacific Ry. Co.:

Engineering Report, at date of Valuation, exclusive of land and Equipment	
Gross Additions under Order No. 3	\$49,932,339
Gross Retirement under Order No. 3	\$4,565,993
	953,394
Net accruals for the period	\$3,602,599
Net accruals depreciated 18% (ave. I. C. C. depreciation)	
	<u>2,954,131</u>
	\$52,286,470

The Kookuk & Des Moines Ry. Co.:

Engineering Report, at date of Valuation, exclusive of land and Equipment	
Gross Additions under Order No. 3	\$2,590,621
Gross Retirement under Order No. 3	\$242,186
	127,549
Net accruals for the period	
Net accruals depreciated 18% (ave. I. C. C. depreciation)	\$114,637
	<u>94,002</u>
	2,684,623

Analysis of the Interstate Commerce Commission's Tentative Valuation—Continued

St. Paul & Kansas City Short Line R. R. Co.:

Engineering Report, at date of Valuation, exclusive of land and Equipment	\$6,615,442
Gross Additions under Order No. 3	\$527,289
Gross Retirement under Order No. 3	74,522
Net accruals for the period	<u>\$452,767</u>
Net accruals depreciated 18% (ave. I. C. C. depreciation)	<u>371,269</u>
	<u>6,986,711</u>

Rock Island Improvement Co.:

Engineering Report, at date of Valuation, exclusive of land and Equipment	\$16,704
Gross Additions under Order No. 3	\$4,949
Gross Retirement under Order No. 3	841
Net accruals for the period	<u>\$4,108</u>
Net accruals depreciated 18% (ave. I. C. C. depreciation)	<u>3,369</u>
	<u>20,073</u>
Total Roadway and Structures	<u>\$61,977,877</u>

The Chicago, Rock Island & Pacific Ry. Co.:

Land Report, at date of Valuation based on naked land value:

Owned and Used	\$8,755,142
Rights in Public Domain and private Property	14,924
Non-Carrier Property	597,621

 \$9,357,687

Gross Additions under Order No. 3	\$56,184
Gross Retirements under Order No. 3	1,076

 Net accruals for the period

 55,198

 \$9,422,785

The Keokuk & Des Moines Ry. Co.:

Land Report, at date of Valuation based on naked land value:

Owned and Used	\$683,542
Rights in Public Domain and private Property .....	.....
Non-Carrier Property .....	.....

 \$683,542

Gross Additions under Order No. 3	\$.....
Gross Retirements under Order No. 3 .....	.....

 Net accruals for the period

 683,542

Analysis of the Interstate Commerce Commission's Tentative Valuation—Continued

St. Paul & Kansas City Short Line R. R. Co.:

Land Report, at date of Valuation based on naked land value:

Owned and Used	\$1,027,661
Rights in Public Domain and private Property	
Non-Carrier Property	1,027,661
Gross Additions under Order No. 3	\$14,342
Gross Retirement under Order No. 3	34,150
Net accruals for the period	19,808
	<hr/> 1,007,853

Rock Island Improvement Co.:

Land Report, at date of Valuation based on naked land value:

Owned and Used	\$303,165
Rights in Public Domain and private Property	
Non-Carrier Property	\$303,165
Gross Additions under Order No. 3	\$
Gross Retirements under Order No. 3	
Net accruals for the period	303,165
Total Land	<hr/> \$11,417,355

Equipment:

The Chicago Rock Island & Pacific Ry. Co.:

Engineering Report, at date of Valuation, exclusive of
Roadway and Land:

Locomotives	\$3,679,946
Freight Train Cars	5,635,633
Passenger Train Cars	1,405,444
Work Equipment	705,625

\$11,420,648

Net accruals under Order No. 3 and unallocated other than
System, \$8,433,562.

Amount assignable to Iowa at ratio percent which Total
Car Miles (607,054,036) bears to State Car Miles (163,-
964,515) or 27.91%

1,910,478

\$13,337,126

The Keokuk & Des Moines Railway Co.:

Engineering Report, at date of Valuation, exclusive of
Roadway and Land:

Locomotives	\$329,455
Freight Train Cars	499,910
Passenger Train Cars	127,490
Work Equipment	61,501

1,018,356

Analysis of the Interstate Commerce Commission's Tentative Valuation—Continued

Net accruals under Order No. 3 and unallocated other than System, \$8,433,562.
Amount assignable to Iowa at ratio per-cent which Total Car Miles (607,054,036) bears to State Car Miles (163,964,515) or 27.01%

166,514

1,184,870

St. Paul & Kansas City Short Line R. R. Co.:

Engineering Report, at date of Valuation, exclusive of Roadway and Land:

Locomotives \$390,749
Freight Train Cars 592,917
Passenger Train Cars 151,210
Work Equipment 72,943

1,207,819

Net accruals under Order No. 3 and unallocated other than System, \$8,433,562.
Amount assignable to Iowa at ratio per-cent which Total Car Miles (607,054,036) bears to State Car Miles (163,964,515) or 27.01%

197,494

1,405,313

Equipment (cont.):

Rock Island Improvement Co.:

Engineering Report, at date of Valuation, exclusive of
Roadway and Land:

Locomotives	\$2,704
Freight Train Cars	4,103
Passenger Train Cars	1,046
Work Equipment	505

\$8,358

Not accruals under Order No. 3 and unallocated other than
System, \$8,433,562.

Amount assignable to Iowa at ratio percent which Total
Car Miles (697,654.036) bears to State Car Miles (163,
964,515) or 27.01%

1,368

\$9,726

Total Equipment

\$15,937,035

[fol. 593]

Miscellaneous Elements of Cost:

The Chicago, Rock Island & Pacific Ry. Co.:

Unallocated Engineering, Structures and Machinery costs

\$7,831

1,738,424

2,566,348

47,340

\$4,359,943

Analysis of the Interstate Commerce Commission's Tentative Valuation—Continued

The Keokuk & Des Moines Ry. Co.:

Allotment of 5% to Affiliated Co's in the State.....	214,625
Allowance made in Final Value	10,147
	<hr/> \$224,773

St. Paul & Kansas City Short Line R. R. Co.:

Allotment of 5% to Affiliated Co's in the State.....	\$442,546
Allowance made in Final Value	5,312
	<hr/> 447,858

Rock Island Improvement Co.:

Allotment of 5% to Affiliated Co's in the State.....	\$16,411
Allowance made in Final Value .....	.....
	<hr/> \$16,411

Total Miscellaneous Elements of Cost	\$5,018,985
--	-------------

[fol. 594]

Recapitulation

Total Roadway and Structures	\$61,977,877
Total Land	11,417,355
Total Equipment	15,937,035
Total Miscellaneous Elements of Cost	5,018,985
	<hr/>

Total Reproduction Cost, Less Depreciation, in the State, as of December 31, 1921

94,351,252

**CHART
TOO
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FOR
FILMING**

[fol. 595]

(Copy)

EVIDENCE: EXHIBIT II

STATE OF IOWA,

County of Polk, ss:

I, C. B. Ellis, being first duly sworn on oath depose any say that the attached Exhibit is a true and correct compilation of the expenditures for road and equipment and general expenditures for each of the several roads affected, for the years ending June 30, 1914 to December 31, 1921, inclusive. The exhibit is prepared from the reports filed with the Railroad Commission of the State of Iowa by each of the carriers affected.

Dated this 21st day of October, A. D., 1922.

(Sgd.) C. B. Ellis, Chief Statistician for the Railroad Commission of the State of Iowa.

Subscribed and sworn to by C. B. Ellis, before me, this 21st day of October, A. D., 1922.

(Sgd.) Winogene Hobbs. (Seal.)

(Here follows table marked side folio page 596.)

[fol. 597]

EVIDENCE: EXHIBIT I

Copy.

STATE OF IOWA,

Polk County, ss:

I, C. B. Ellis, under oath depose and state, that the attached Exhibit I is a table showing the train miles, car miles, and total mileage operated by the Chicago, Rock Island and Pacific Railway Company, for the years 1912 to 1921, inclusive, for both the entire line and apportioned to Iowa, as disclosed by the annual reports by the Chicago, Rock Island and Pacific Railway Company to the Board of Railroad Commissioners of Iowa for the years indicated respectively.

C. B. Ellis, Chief Statistician for the Railroad Commission of the State of Iowa.

Subscribed and sworn to before me by C. B. Ellis this 21st day of October, A. D. 1922. Winogene Hobbs.

(Here follows table marked side folio page 598.)

[fol. 599]

EVIDENCE: EXHIBIT J

(Copy)

STATE OF IOWA,

County of Polk, ss:

I, C. B. Ellis, under oath depose and state that I am statistician for the Board of Railroad Commissioners of the State of Iowa, and that I have compiled the attached consolidated table showing entire line operating revenues, operating expenses, net railway operating income, operating ratio and per cent maintenance expenses bear to the operating revenues and expenses, for seven months, ending July 31, 1921, and 1922, for the carriers indicated as shown by the reports of the Bureau of Statistics of the Interstate Commerce Commission.

C. B. Ellis

Subscribed and sworn to before me this 21st day of October,
A. D., 1922. Winogene Hobbs,

(Here follows table marked side folio page 600.)

[fol. 601]

EVIDENCE: EXHIBIT K-1

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Complainant,

vs.

NATHAN E. KENDALL, Governor of Iowa, et al., Defendants

Affidavit of C. B. Ellis, Concerning the Physical Value of the Property of the Chicago, Rock Island & Pacific Railway Company in the State of Iowa

STATE OF IOWA,

Polk County, ss:

I, C. B. Ellis, under oath depose and state:

1. That I am a resident of Iowa, and that I am the Statistician for the Board of Railroad Commissioners of the State of Iowa and have served in such capacity for more than four years. In such capacity, I have been in constant touch with railroad accounting and I am familiar with the records and reports concerning railroad operations

Consolidated Table Showing Entire Line Operating Revenues and Operating Expenses and Net Railway Operating Income and Operating Ratio and Per Cent Maintenance Expenses Bear to Operating Revenues and Expenses for Seven Months Ended July 31, 1921 and 1922, of the Railroads Named

Railway companies	Year	Average miles of road operated	Operating revenues			Operating expenses			Net railway operating income	Operating ratio, %	Maintenance expenses, % of	
			Freight	Passenger	Total	Maintenance of way and structures	Maintenance of equipment	Total			Op. revenues	Op. expenses
Chicago, Burlington & Quincy R. R.	1922	9393.69	\$63283350	\$15794271	\$87244590	\$11289002	\$17867096	\$66227317	\$13628812	75.9	33.4	44.0
" " "	1921	9392.62	66524405	18403954	92426593	10447143	18965915	72182592	13831646	78.1	31.8	40.8
Chicago & Northwestern Ry.	1922	8402.28	54512834	17074068	80341437	10522558	15896565	65388984	9627691	81.4	32.9	40.4
" " "	1921	8402.28	51761764	20099375	79821464	12189321	19906606	76269729	-1611090	95.6	40.2	42.1
Chicago, Milwaukee & St. Paul. . . .	1922	11030.25	61102179	13638098	83851104	11155614	20663240	71707222	3951689	85.5	37.9	44.4
" " "	1921	10670.31	56098945	15949205	79967120	10236167	19921950	74286258	-1794056	92.9	37.7	40.6
Chicago, Rock Island & Pacific. . . .	1922	7661.69	46109851	15015036	66084247	8455996	13568465	53296304	7208077	80.7	33.3	41.3
" " "	1921	7661.63	51720607	17321144	73896404	9906757	16712255	62152593	6324946	84.1	36.0	42.8
Chicago, St. P., Minn. & Omaha. . . .	1922	1749.19	10733499	3520084	15379723	1954030	2787451	12711942	1507759	82.7	30.8	37.3
" " "	1921	1749.19	10222411	4108421	15307511	1918607	3460003	14491226	-376338	94.7	35.1	37.1
Great Northern.	1922	8264.72	38020333	8282058	51745576	7504353	9897605	41523659	6449503	80.2	33.6	41.9
" " "	1921	8164.88	35068773	9550875	50046749	8369125	11595132	45654483	-538012	91.2	39.9	43.7
Union Pacific.	1922	3683.55	38577580	9766284	53498279	6249315	11385590	37778042	11532079	70.6	33.0	46.7
" " "	1921	3614.39	41153284	11423558	58023239	6107647	12423362	41410638	12302080	71.4	31.9	44.7
Wabash Railway.	1922	2472.96	25645164	5241526	33273800	4708637	6318780	27130307	2963305	81.5	33.1	40.6
" " "	1921	2472.96	25941167	5861731	33694921	5501796	6930611	29928047	1128175	88.8	36.9	41.5

— Deficit.

Authority—Interstate Commerce Commission.
Bureau of Statistics.

and accounting on file with the Iowa Board of Railroad Commissioners; that I am familiar with Valuation Docket No. 152, which contains the hearing and findings of the Interstate Commerce Commission relative to the tentative valuation of the Chicago, Rock Island & Pacific Railway Company; that by reason of the nature of my work, [fol. 602] I have had occasion to examine, and am familiar with, the reports filed with the Executive Council of the State of Iowa by the Chicago, Rock Island & Pacific Railway Company, and more particularly the annual report and the additional annual report of the Rock Island Company for the year ending December 31, 1921.

2. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the annual reports of the Chicago, Rock Island & Pacific Railway Company to the Executive Council of the State of Iowa and to the Board of Railroad Commissioners for the State of Iowa, and that I have had prepared under my personal direction and supervision Exhibits "1," "2" and "3," which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the property of the said Chicago, Rock Island & Pacific Railway Company for taxation purposes within the State of Iowa, and that said exhibits show the true and correct facts as disclosed by the aforesaid records and official reports as interpreted under prevailing accounting systems.

EXHIBIT "1"

3. Exhibit "1" shows the tentative valuation placed on the physical property of the Chicago, Rock Island & Pacific Railway System by the Valuation Department of the Interstate Commerce Commission, such values being computed as of June 30, 1915. The [fol. 603] Exhibit shows the value of the total physical property of the entire system and of the State of Iowa allocated and computed on the basis of the fixed physical property in Iowa as it relates to the total fixed property of the system. This exhibit shows a total value of physical properties allocated and proportioned to Iowa on June 30, 1915, amounting to \$95,372,522.90.

EXHIBIT "2"

4. Exhibit "2" shows the investment in road and equipment for additions, betterments and increases by the Chicago, Rock Island & Pacific Railway Company for the period 1915 to December 31, 1921. This exhibit shows the total investment in Iowa in road and equipment for the period 1915 to December 31, 1921, as disclosed by the reports of the Rock Island Company to the Executive Council and to the Iowa Railroad Commission for that period, less 18% depreciation, in the sum of \$11,207,937.81. The exhibit then shows a final value of all property allocated and proportioned to Iowa as of December 31, 1921, less depreciation, but including a 25% increase

in land values for the period 1915 to 1921 and miscellaneous elements of cost, in the sum of \$114,478,401.

EXHIBIT "3"

5. Exhibit "3" shows the final value of all physical property of the Chicago, Rock Island & Pacific Railway Company proportioned to Iowa for taxation purposes on December 31, 1921, as computed from Exhibits "1" and "2," which final value is \$114,478,401. The exhibit then shows the assessed value for the Chicago, Rock Island & Pacific Railway Company for Iowa for the year 1921 in the sum [fol. 604] of \$66,150,984. The percentage which the assessment by the Executive Council bears to the value of the total physical property proportioned to Iowa as disclosed by Valuation Docket No. 152 of the Interstate Commerce Commission is 57.7 plus %.

Further than this the exhibits are self-explanatory.

Wherefore: Affiant states that the final value of the physical property of the Chicago, Rock Island & Pacific Railway Company in Iowa, as determined from an examination of the authorities cited in Exhibits "1," "2" and "3," and by the exhibits themselves, on December 31, 1921, is \$114,478,401.

(Sgd.) C. B. Ellis

Subscribed and sworn to before me by the said C. B. Ellis this 21st day of October, 1922. (Sgd.) Wentogene Hobbs
Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 605]

EXHIBIT "1" TO ELLIS' AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Physical Property of Chicago, Rock Island & Pacific Railway Company, Entire System and for Iowa, as of June 30, 1915

1. Total value all property for entire system (p. 28 Tentative Valuation Report).....	\$322,277,596.00
2. Total value all unallocated property for entire System (p. 21).....	51,411,344.00
3. Total value allocated property for entire system	270,866,252.00
4. Total engineering property allocated to Iowa (p. 18)	58,569,838.00
5. Total land value in Iowa (including excess cost of acquisition plus incidental expenses) (p. 23)	21,253,851.14
6. Total land value in Iowa (includes excess cost of acquisition plus incidental expenses; including non-carrier lands) (pp. 23-26), and non-carrier structures on carrier land (p. 27)	21,862,548.34

Physical Property—Continued

7. Total allocated property in Iowa (4 plus 6) . .	80,432,386.34
8. Per cent of allocated property in Iowa to total allocated property (6 divided by 3) . . . . .	.2906
9. Unallocated property in Iowa determined on basis of percentage of allocated property . .	14,940,136.56
10. Total property in Iowa (allocated and com- puted unallocated)	95,372,522.90

NOTE.—The foregoing figures and values were taken from Valuation Docket No. 152, dated August 1, 1921, by the Valuation Department of the Interstate Commerce Commission of the United States, and filed with the Commission, copy of which was sent to the Governor of Iowa as per Act of Congress.

[fol. 606] EXHIBIT "2" TO ELLIS AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Property of Chicago, Rock Island & Pacific System

Additions, Betterments and Increases

1915-1921

For System and for Iowa

1. Total investment for whole system in Road & Equipment since June 30, 1914. (Add. Annual Report to Executive Council for year ending December 31, 1921, pp. 10-11)	\$49,206,880.58
2. Total expenditures for whole system for year ending June 30, 1915. (Annual Report to Iowa Railroad Commission)	2,172,411.07
3. Total investment for whole system in Road & Equipment from June 30, 1915, to December 31, 1921	47,034,469.51
4. Total investment for whole system in Road & Equipment, June 30, 1915, to December 31, 1921, less 18% depreciation	38,568,265.00
5. Total investment for Iowa in Road and Equipment, June 30, 1915, to December 31, 1921, determined by ratio of per cent (.2906) of property in Iowa June 30, 1915, to total property. (Bureau of Valuation #152, Interstate Commerce Commission)	11,207,937.81

Property of Chicago, Rock Island & Pacific System—Continued

6. Total increase in Iowa land values (25%) from June 30, 1915, to December 31, 1921, not including excess cost of acquisition	2,848,956.00
7. Total miscellaneous items of cost for Iowa, (Chicago, Rock Island & Pacific Exhibit 8, p. 5) Carriers Exhibit to Executive Council July, 1922	5,048,985.00
8. Grand Total property for Iowa (allocated and unallocated, computed, June 30, 1915; accruals and betterments for Iowa 1915—December 31, 1921, computed less depreciation; 25% increase in lands 1915-1921; miscellaneous elements of cost) Exhibit "1" (10) plus Exhibit "2", (5), plus (6) plus (7)	114,478,401.00

[fol. 607]

EXHIBIT "3" TO ELLIS AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Value of Total Physical Property of the C., R. I. & P. Ry. Co. in Iowa

Total carrier property in and for Iowa, owned or used, distributed and allocated, computed less depreciation; (and including 25% increase in lands 1915-1921). Not including excess cost of acquisition	\$114,478,401
Total value assessed by Executive Council for carrier property in Iowa, July, 1922, for year ending Dec. 31, 1921	66,150,984
Per cent of Assessment by Executive Council, to total allocated and distributed carrier property in Iowa, for year ending Dec. 31, 1921	57.7 plus

[fol. 608]

EVIDENCE: EXHIBIT K2

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

*Affidavit of Clifford Thorne Concerning the Value of the Property
of the Chicago, Rock Island & Pacific Railway Company in the
State of Iowa.*

Filed October 23, 1922. (Sgn.) N. F. Reed, Clerk, By (Sgn.) Ger-
trude Darrell, Deputy.

STATE OF ILLINOIS,
Cook County, ss:

I, Clifford Thorne, under oath, depose and state:

1. That I am *as* resident of Washington, Iowa, and have been a resident for forty-four years; that I served as a member of the Board of Railroad Commissioners for the State of Iowa from January 1, 1911, to January 1, 1917, on which date I resigned said position and since then have been engaged in the general practice of law, specializing as to railroad and commercial matters; that in 1912, I served as Chairman of the Committee on Railroad Taxes and Plans for Ascertaining the Fair Valuation of Railroad Property of the National Association of Railway Commissioners. In such capacity, our Committee conducted a survey of the methods used in the various cities and states of the nation in the valuation of railroad property; that subsequent to said date, I have concentrated much of my time and attention on the examination of railroad accounting, financial and operating conditions, in the State of Iowa, and elsewhere.

2. That the State of Iowa has not made a physical appraisal of the railroad property within said state as has been done by many other states, but that Iowa has been relieved of this expense in the present proceeding by reason of the extended investigations made under the jurisdiction of the Interstate Commerce Commission and by the admissions of the railroad company itself in official reports and published statements.

3. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the Annual Reports of the Chicago, Rock Island & Pacific Railway Co. (which will be hereinafter referred to as the Rock Island Co.) to its stockholders, to the Executive Council of the State of Iowa, and to the Board of Railroad Commissioners for the State of Iowa; that I have prepared

under my personal direction and supervision exhibits one to nineteen inclusive, which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the property of the said Rock Island Company for taxation purposes within the state of Iowa, and that said affiant has no facts to present concerning the physical valuation of the property of said company except as shown on the aforesaid records and official reports as interpreted under prevailing accounting systems.

4. That affiant believes that a value for taxation purposes should include the value of franchise and other intangible property which (aside from a relatively small allowance for going value representing actual expenditures incurred) is excluded in the valuation for rate-making purposes; that he has constructed this series of exhibits in such manner as to show the values of these non-physical properties as well as the value of the physical property. Affiant does not offer these tabulations as bearing upon the appraisal of the said property for rate making purposes, but on the contrary, affiant specifically states that they are prepared as bearing upon the value for taxation purposes.

5. That the said exhibits are divided into two parts: Part I deals with the value of the physical property of the Rock Island Co. and Part II deals with the franchise and other intangible values of the said railroad company within the State of Iowa.

6. The following is a brief outline of the above described exhibits:

Part I

Physical Property

EXHIBIT I

Net Income

This presents a review of the financial operations of the Rock Island Co. from 1912 to 1921 inclusive. There is only one phase of this exhibit upon which there will probably be radical diversions between the presentation offered by the Rock Island Co. and by the State. Said Rock Island Co. has claimed in its reports to the Board of Railroad Commissioners for the State of Iowa that in the year 1920, there was an actual deficit from operation, of \$669,000 and similar depleted revenues shown for the years 1918 and 1920, whereas, our exhibit shows for the year 1919, a net railway operating income amounting to more than \$10,000,000, and a net property income (without deducting taxes) of almost \$15,000,000.

Such radical differences in net returns for three recent years will cause widely divergent results in computations based thereon. The basic difference in our computations is that the Rock Island Co. does not include income received from the Government for the use of its properties during the war period and income received from the

Government under the guarantee in effect during six months of 1920. We do not take exception to the use of accounting terms in refusing to define such income as revenue from operation, but in any appraisal of a property where such income is omitted the result is erroneous; and any average figure in which such an erroneous factor is [fol. 610] involved is likewise misleading and untrue. Instead of advancing freight rates and thereby increasing its commonly called operating revenue, our Government saw fit to take over the properties and make up the deficit out of the Treasury. The burden of the war was not the fault of the shipper. The policy thus pursued is that identical to that adopted by the British Government at the same time. Congress described this fixed pay going to the railroads for the use of their property as "just compensation". This compensation represents the value of the use of the property as of that time, and should be included in any computation as to the value of the said property.

One further note of explanation is necessary concerning this analysis of operating returns shown on Exhibit 1.

The term "net property income" is used on this exhibit as meaning the income of the Chicago, Rock Island & Pacific Railway Co. above operating expenses, and above uncollectible railway revenue, this net income being available for taxes, interest and dividends. The only difference between this factor and the one immediately preceding this which we have just described is that taxes are not considered an operating expense, but the company is supposed to pay the taxes.

In computing the income of American railways under the guaranty section of the Federal Control Act, Congress specifically provides that taxes should not be deducted with operating expenses but that the taxes specifically referred to, being the federal government taxes, should be paid by the railroad. With further reference to this, we call attention to the fact that the accounting rules of the Commission have never included taxes as an operating expense. However, we give the total net income both ways.

EXHIBIT II

Investment in Road and Equipment

This table shows the alleged investment in road and equipment as carried in the sworn reports of the Rock Island Co. to the Railway Commissioners of Iowa, the Interstate Commerce Commission and also as presented in their annual reports to their stockholders during the past ten years. In this total there is no allowance for working capital or materials and supplies, or franchise values or other intangible values.

Apportionment to Iowa

In allocating the property of the system to the State of Iowa, we have used the ratio of the number of single track mileage in Iowa compared to the mileage operated by the system, also the miles of all

track in Iowa compared to the miles of all track for the system; also the transportation track mileage in Iowa compared to the transportation track mileage of the system, and finally the transportation car miles compared to the transportation car miles of the system. These [fol. 611] totals have been added and divided by four, securing the average figure.

A method previously used by the Chicago, Rock Island & Pacific Railway Co. involves other ratios than those we have just described. One of these has been the gross revenue basis. This method was specifically condemned by the Supreme Court of the United States as a means for determining the distribution of the values of property of a railroad property as between states. We do not believe the method correct, and to the extent that it is used in arriving at any average ratio, just to that extent the average ratio is erroneous.

Another percentage previously adopted has been the ratio of net revenue to the state to the ratio of net revenue on the system. The method of apportioning expenses and revenue on the branch lines serves to penalize a state where branch lines predominate. Percentages that we have used, we believe, fairly approximate the apportionment to the State of Iowa so far as the figures are obtainable at the present time.

EXHIBIT III

Appraisal by Interstate Commerce Commission in ex Parte 74

This exhibit presents an appraisal of the physical property of the Rock Island Co. based upon the tentative values made by the Interstate Commerce Commission for 1920 in the proceeding known as Ex Parte 74. This appraisal was made upon the basis of figures submitted by the Rock Island Company. The same appraisal was subsequently adopted by the Commission in the Spring of 1922 in the case known as Docket 13293. This exhibit shows a total valuation of the system of \$338,225,008.

EXHIBIT IV

Physical Values

This consists of an extract copied verbatim from the annual report of the Rock Island Company dated January 7, 1921. In this report, the Rock Island Co. claims the total value for the system amounts to \$388,277,342. In regard to this total based upon the appraisal of the Interstate Commerce Commission, in valuation docket 152, the Rock Island Co. says "We regard the value established by the Commission as being much less than the actual value of the property."

EXHIBIT V

Physical Values Apportioned to Iowa by Rock Island Co.

This exhibit presents the appraisal of the Rock Island property by the Interstate Commerce Commission, the same being made in Valuation Docket 152.

[fol. 612] The Commission's figures have been brought down to date by the Rock Island Co. itself, the figures being taken from the company's exhibit No. 8 before the Executive Council of the State of Iowa. The total value of the physical property within the state is shown to be \$94,381,252. This contains no allowance for franchise or other tangible values, which should add \$4,500,000.

EXHIBIT VI

Physical Value Over Series of Years

The values found by the Interstate Commerce Commission in docket 152 as of June 30, 1915, has been brought down to date by the additional property and the deduction of the accrued depreciation, the result being somewhat similar to that which the company itself produces, as shown in a previous exhibit.

EXHIBIT VII

Additional Property Value Claimed by Rock Island Co.

This exhibit presents extracts from the protest of the company showing grounds why the company claims the Commission's finding is inadequate. Only those portions of the protest dealing with physical elements are contained in this exhibit. These factors include such items as engineering, grading, bridges, trestles, culverts, land, rights in public domains, and in private lands. Adding these factors, we have a total value for the State of Iowa as claimed in formal proceedings before the Interstate Commerce Commission at the present time aggregating \$129,223,696. In this total, there is no allowance for franchise values.

Part II

Franchise and Other Intangible Values

Exhibits 9 to 13 inclusive present a review of the various methods for approximating franchise and other non-physical values with a practical application of several of the methods stated. A description of these exhibits is fastened with the exhibits and will be found in that portion of this affidavit.

Summary

In Exhibits 14 to 18 inclusive, we present a summary showing the total value of the property of the Rock Island Co. combining both the physical and non-physical values as previously outlined. These exhibits are self explanatory:

[fol. 613] Exhibit 19 is a comparative statement showing the decrease in the assessed value of the property of the C. R. I. & P. Ry. Co. in the past seven years compared to the increases in their earnings and property value.

Wherefore: Affiant states that the values of the physical property of The Chicago, Rock Island & Pacific Railway Company within the State of Iowa, as claimed by that company in various proceedings before, and reports to the Executive Council of the State of Iowa, the Board of Railroad Commissioners of the State of Iowa, and the Interstate Commerce Commission varies from \$98,900,000 to \$137,000,000. In addition to this, the value of the intangible or non-physical property of said company as appraised in accordance with recognized standard methods of appraisal and as claimed by the Rock Island Company itself ranges from \$4,400,000 to \$17,800,000; thereby making a total value for taxation purposes ranging from \$101,000,000 to \$146,000,000.

(Signed) Clifford Thorne.

Subscribed and sworn to before me by the said Clifford Thorne this 13th day of October, 1922. (Signed) W. R. Matheny, Notary Public in and for Cook County, State of Illinois. (Seal.) My commission expires January 5, 1925.

(Here follows table marked side folio pages 614 and 615.)

[fol. 616] In the foregoing table, there is little room for dispute about the items stated except for the years 1918, 1919 and 1920. For the years 1918 and 1919 we have used the standard return as representing the value of the use of the property agreed upon by both the Federal Government and the Railway Company. This figure which we have used will be found in the 35th Annual Report of the Interstate Commerce Commission, page 200. The year 1920 presents a number of complications. The reasons for this are because the year 1920 includes two months of operations under the Federal Control Act where the government operated the property and paid the company a fixed sum therefor; during the next six months, there was a period when the property was operated by the company under a government guarantee, based upon the standard return effective under the entire period of federal control. During the remaining four months, the property was operated by the company itself without a guarantee or without a so-called "just compensation" as defined in the Federal Control Act.

Again the situation is complicated because in many instances only parts of the government standard return or of the guarantee have

[fol. 614]

Value of the Property of The Chicago, Rock Island & Pacific Railway Company for Taxation Purposes Within the State of Iowa

Part I

Value of Physical Property

[fol. 615]

EXHIBIT 1 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

(Including the St. Paul & Kansas City Short Line R. R. and the Keokuk & Des Moines Ry.)

	1912	1913	1914	1915	1916	1917	1918 ‡	1919 ‡	1920 ‡	1921
Total Operating Income.....	\$11,123,412	\$11,611,270	\$13,129,733	\$13,452,255	\$20,987,695	\$18,038,684	\$8,813,309	\$9,331,807	\$1,583,490	\$19,041,718
± Net Railway Operating Income (Allowing for net debit or credit of Joint Facility Rents and Hire of Equipment).....	10,706,926	11,167,494	9,245,479	11,012,515	19,963,700	17,233,349	10,987,595	10,068,515	10,022,254	15,191,718
Tax Accruals.....	2,698,178	2,857,694	3,200,577	3,249,858	3,669,691	4,152,911	4,824,784	4,843,864	5,655,870	5,530,000
* Net Property Income.....	13,375,194	14,025,187	12,446,047	14,262,373	23,564,304	21,391,554	14,912,379	14,912,379	15,678,124	20,771,718

Average Net Property Income

System average for—	Ten years, 1912-1921	Seven years, 1916-1921
AppORTIONED TO STATE OF IOWA		
On basis of—	\$16,529,845	\$17,921,718
A	\$4,927,546.79	\$5,342,464.14
B	4,606,867.80	4,994,782.81
C	4,398,591.75	4,768,969.16
D	4,046,506.06	4,387,236.57
Average of four.....	4,494,878.10	4,873,363.17
Net Property Income—Entire Line—1921.....	\$20,731,099.00	
AppORTIONED TO IOWA (Average of A, B, C, D.), 1921.....	5,642,740.42	

‡ Net Railway Operating Income, as defined in accounting rules, for the years 1918, 1919 and 1920 are not given, because in lieu thereof we use the Government "just compensation" paid for the use of railroad property for 1919 and the first two months of 1920, together with the Government guaranty from March 1 to Sept. 1, 1920. The figures opposite "Net Railway Operating Income" for this period represents the total received from the Government less tax accruals.

* "Net Property Income" is used in these tables as equivalent to the net railway operating income without deducting taxes. Attention is called to the fact that Congress required the operating income to be so computed for the purpose of the government guaranty computations. Attention is also called to the fact that the Commission has never classed taxes as an operating expense. We have coined the phrase here stated in order to avoid confusion with other terms currently used.

been paid to date. In addition to this there are some disputes between the government and the railroads as to the amount of maintenance justifiable as a charge to operating expenses during the guaranty period as well as prior thereto. A maintenance expenditure which was really devoted to the improvement of the property rather than maintenance is a capital expenditure, and should not be charged to current operating expenses.

In view of these complexities, we have thought it well to set out below factors entering into the total for the year 1920, inasmuch as this total differs very radically from that claimed by the railway company. The total is made up as follows:

\$2,478,961.76 Represents the amount of standard return accrued for the months of January and February, 1920. (Report to Iowa Railroad Commissioners for 1920, page 313).

\$7,456,189.45 Estimated net railway operating income for guaranty period for six months, being one-half the standard return for a year. We are not advised of the full settlement of this. The annual report of the Rock Island to the Iowa Railway Commissioners does not answer this question specifically; nor does the annual report of the said company answer the question so far as we can ascertain. Certain amounts are set up as due from the Government, but they may include other factors such as alleged insufficient maintenance and other items. The amount due under the guaranty is one-half of the standard return (annual report of the C. R. I. & P. Ry. Co. for 1920, page 7, which but conforms to the statutory provision). The annual report of the Interstate Commerce Commission for 1921 states, at page 200, that the standard return for a year as finally certified to the President for the C. R. I. & P. Ry. Co. was \$14,912,378.91. One-half of this would be \$7,456,189.45. The said report of the Interstate Commerce Commission for 1921, shows on page 211 that \$6,000,000 has been given the C. R. I. & P. Ry. Co. as "partial payment" of its account. It is difficult to find in the reports any accounting for this difference between \$6,000,000 received as partial payment, and the total due under the government guaranty. The net railway operating income under the guaranty is not subject to [fol. 617] further reduction because of debits and credits arising from equipment rents and joint facility rents, for they have already been included in the computation before the net railway operating income is deduced. Interstate Commerce Act, Sec. 15-A, paragraph 1, added Feb. 28, 1920). Any restatement of these accounts by the carrier because of difference between it and the Interstate Commerce Commission concerning maintenance expenditures during the guaranty period, we do not believe should modify the above, because the Commission has been empowered by Act of Congress to determine what just maintenance expenditures during that period are; and the findings of the Commission should be accepted as controlling until successfully attacked. In other words, the standard return during the period of federal control and for determining the six months guaranty from March 1, 1920 to Sept. 1, 1920, should be accepted as the true net railway operating income for these periods.

\$5,742,972.68 Represents the net income after allowing net debit or credit for joint facility rents and hire of equipment, but without deducting tax accruals, for the four months of private operation, Sept. 1, to December 31, 1920, according to the report of the Rock Island Company to the Iowa Railroad Commission for 1920, (page 300). This checks closely with the figures given by the Company in its annual report for 1920 to its stockholders. The disposition of tax accruals presents some difficulties. Under the Act certain taxes are excluded from the computation or to what constitutes railway operating income. (Transportation Act 1920, Sec. 209—p. 4). We have followed this ruling in our accounting. The amount the Company excludes or includes for the first two months cannot be stated. Nor can we state the exact amount that has been deducted, but our computations for 1918 and 1919 are based on the assumption that the standard return excluded all taxes. The resulting variations are relatively of minor importance.

Summary

\$2,478,961.76	Standard Return for January and February, 1920
\$7,456,189.45	Guaranty for March to August inclusive,
\$5,742,972.68	Net revenue from railway operations Sept. 1-Dec. 31, 1920.
<hr/>	
\$15,678,123.89	Total net income for the year 1920.
\$5,655,869.52	Railway tax accruals.
<hr/>	
\$10,022,254.37	Net income above taxes.

Authorities: The base figures in the foregoing table are taken from the annual statistical reports of the Interstate Commerce Commission for the years 1912 to 1919 inclusive; those for 1920 and 1921 are taken from the annual reports of the C. R. I. & P. Ry. Co. to the Board of Railroad Commissioners of the State of Iowa.

(Here follows table marked side folio page 618.)

[fol. 619] Physical Character of "Investment in Road and Equipment"

The character of the items entering into "Investment in Road and Equipment" accounts is evidenced by the following from the Additional Annual Report of the Chicago, Rock Island & Pacific Railway Co. to the Executive Council of the State of Iowa, for the year ending December 31, 1921:

The total investment in road and equipment as of December 31, 1919 is given as \$306,767,025.88 without allowing anything for materials and supplies, and working capital.

[fol. 618]

EXHIBIT 2 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Including the St. Paul & Kansas City Short Line R. R. and the Keokuk & Des Moines Ry.)

Value of Physical Property as Evidenced by the Investment in Road and Equipment According to the Annual Reports of the Interstate Commerce Commission, the Board of Railroad Commissioners of the State of Iowa, The Chicago, Rock Island & Pacific Railway Company

	Investment in Road and Equipment									
	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921
	\$236,045,631	\$247,952,401	\$256,162,195	\$260,007,118	\$266,543,723	\$279,889,641	\$286,262,728	\$290,440,589	\$302,239,553	\$306,767,026
Apportioned to State of Iowa:										
Basis:										
(A)	\$65,597,080.85	\$68,831,586.52	\$71,876,209.60	\$76,000,980.59	\$74,205,772.48	\$82,147,609.63	\$82,729,928.39	\$84,953,872.28	\$90,097,610.75	\$91,447,250.45
(B)	63,755,924.93	67,170,305.43	73,236,771.55	73,296,006.56	72,126,731.44	80,325,321.48	80,325,321.48	82,514,171.33	83,236,772.90	85,495,970.15
(C)	63,590,692.99	67,145,510.19	72,058,425.45	73,868,022.22	71,896,842.09	75,206,346.54	79,008,512.93	81,410,497.10	84,083,043.64	81,630,705.62
(D)	58,350,479.98	62,632,776.49	68,011,062.77	70,175,921.15	68,182,575.60	69,412,630.97	72,682,106.64	76,966,756.09	76,496,830.86	75,096,567.96
Total	\$251,294,178.75	\$265,780,178.63	\$288,182,469.37	\$293,340,030.52	\$286,411,921.61	\$326,766,587.14	\$314,745,869.44	\$325,845,296.80	\$333,914,258.15	\$333,670,494.18
Average	\$62,823,544.69	\$66,447,544.66	\$72,045,617.34	73,335,007.63	71,602,980.40	56,091,646.78	\$78,686,487.38	\$81,461,324.20	\$83,478,564.54	\$83,417,623.54
Percentage:										
Basis:										
(A)	27.79	27.76	29.23	29.23	27.84	29.35	28.90	29.25	29.81	29.81
(B)	27.01	27.00	28.59	28.10	27.06	29.35	28.06	28.41	27.54	27.87
(C)	26.04	27.08	28.13	28.41	26.97	26.87	27.60	28.03	27.82	26.61
(D)	24.72	25.26	26.55	26.99	25.56	24.80	25.39	26.50	25.31	24.48

Value Physical Property 1921—\$306,767,026.00 less Accrued Depreciation \$202,509,563.00

Average for Iowa for ten years 1912-1921..... \$72,908,782.11

1921 Physical Value in Iowa, apportioned on basis A, B, C, and D..... \$83,417,623.54

The \$306,767,025.88 is composed of the following items:

\$234,736,904.31—Expenditure for: Engineering, Land for transportation purposes, Grading, Underground power tubes, Tunnels and subways, Bridges, trestles and culverts, Elevated structures, Ties, Rails, Other track material, Ballast, Track laying and surfacing, Right-of-way fences, Snow and sand fences and snow sheds, Crossings and signs, Station and office buildings, Roadway buildings, Water stations, Fuel stations, Shops and engine houses, Grain elevators, Storage warehouses, Wharves and docks, Coal and ore wharves, Gas producing plants, Telegraph and telephone lines, Signals and interlockers, Power dams, canals, and pipe lines, Power plant buildings, Power substation buildings, Power transmission systems, Power distribution systems, Power line poles and fixtures, Underground conduits, Miscellaneous structures, Paving, Roadway machines, Roadway small tools, Assessments for public improvements, Revenues and operating expenses during construction, Cost of road purchased, Reconstruction of road purchased, Other expenditures—Road, Shop machinery, Power plant machinery, Power substation apparatus, Unapplied construction material, Adaptation, solidification and seasoning supplies.

\$70,240,007.67—Expenditure for: Steam locomotives, Other locomotives, Freight-train cars, Passenger-train cars, Motor equipment of cars, Floating equipment, Work equipment.

\$1,790,113.90—General Expenditures: Organization (Expenditure during year \$1,030,846.00), General Offices and clerks, Law, Stationery and printing, Taxes (for year—\$11,857.71), Interest during construction (for year—\$51,674.85), Other general expenditures (for year—\$4,718.16)—total for year \$1,098,915.09. The general expenditures, it will be noted, aggregate approximately one-half of one per cent of the total investment in road and equipment. [fol. 620] These computations include no allowances for working capital or materials and supplies, and no allowances for going value, franchises, or other non-physical values.

Method of allocation to State of Iowa: A—Miles of line operated; B—Miles of all tracks operated; C—Transportation train miles; D—Transportation car miles.

Calendar Years after 1915:

Authorities: C. R. I. & P. Ry. Co. figures are from the annual statistical reports of the Interstate Commerce Commission for the years 1912-1919, and from the Iowa R. R. Commission Report for 1920. Reports of the Interstate Commerce Commission for the St. P. & K. C. & St. L. and the K. & D. M. for 1912-1916, and Reports of the Iowa Railroad Commission for the years 1917-1920, except that the K. & D. M. figure for 1919 was missing; therefore the amount of 1918 is adopted, assuming no increase for the subsequent year.

The combined figures for all three companies in 1921 are taken from the Additional Report to the Executive Council of Iowa for the year 1921.

[fol. 621] EXHIBIT 3 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Value of Physical Property as Evidenced by the Tentative Valuations in Ex Parte 74 (1920) and in Docket 13293 (1922) Made by the Interstate Commerce Commission

In each case the valuation fixed by the Commission was below that claimed by the Railway Company.

Property Investment of the C. R. I. & P. Ry. Co. shown in Ex Parte 74 I. C. C.	\$392,426,763.
Less Property Investment of the C. R. I. & G. Ry. Co.	18,118,432.

Property Investment—The C. R. I. & P. Ry. Co.	\$374,308,331.
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(Authority: Ex. 6, attached to affidavit in the District Court of the United States in and for the Southern District of Iowa, Central Division in No. 4159, In Equity. Also Exhibit No. 1 offered by Western Carriers in Ex Parte 74, (58, I. C. C. 220).

The above figure includes claim for materials and supplies and working capital.

The Interstate Commerce Commission reduced the property investment claims of the western carriers by 9.64%.

Applying this percentage, we have: for the C. R. I. & P. Ry. Co., \$338,225,008.

The Commission adopted the same figures in their findings in the General Rate Case, Docket 13293, 68 I. C. C. 676.

[fol. 622]

EXHIBIT 4 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island and Pacific Railway Company

Value of Physical Property as Evidenced by the Annual Report of the Chicago, Rock Island & Pacific Railway Company for the Year 1921

Verbatim Copy of a Portion of the Forty-second Annual Report of said Company for the Fiscal Year Ended December 31, 1921, Commencing at Page 11

The Chicago, Rock Island and Pacific Railway Company

Office of

The Chairman of the Board of Directors

25 Broad Street, New York

January 7, 1922.

To the Stockholders:

The paramount importance of the transportation problem makes it proper again to call to your attention certain phases of that problem directly affecting your interest as stockholders of this Company, and as citizens of the United States.

1. The Federal Valuation:

After six years' work the tentative valuation of your Company's properties was announced by the Interstate Commerce Commission in September at approximately \$335,500,000, as of June 30, 1915. This is for carrier property only.

In order to make a comparison of the value announced by the Commission with the Company's present capitalization, it is necessary to exclude the value of certain leased lines whose capital stock is not entirely owned by this Company and to bring the figures down to date by adding additions and betterments since the date of valuation. So stated, the comparison is as follows:

Physical Property as of June 30, 1915, as Announced by Commission

(a) Carrier property (C. R. I. & P., C. R. I. & G., and Morris Terminal)	\$335,539,013
(b) Non-carrier property	5,745,895
Total	<u>\$341,284,908</u>

From the foregoing should be excluded the values of the following leased lines, which are not controlled through the ownership of entire capital stock:

[fol. 623] Keokuk & Des Moines	\$3,464,958	
Peoria & Bureau Valley	1,650,000	
White & Black River	700,000	
		<hr/> 5,814,958
Balance, excluding these lines.....		\$335,469,950
There should also be deducted Cash and Materials on hand June 30, 1915, as found by the Commission.		<hr/> 9,022,288
Remainder, representing physical property owned directly or through stock ownership, as of June 30, 1915, as found by Commission		326,447,662
Add: Additions and betterments July 1, 1915, to June 30, 1921		36,374,458
Cash and materials, June 30, 1921.....		<hr/> 25,455,222
Total, June 30, 1921		<hr/> \$388,277,342

Liabilities June 30, 1921, According to Company's Books

Long term debt	\$234,505,515
Loans and bills payable	14,930,000
Preferred stock	<hr/> 54,557,989
Total capital liabilities ahead of Common Stock	\$303,993,504
Common Stock outstanding	<hr/> 74,482,523
Total capital liabilities	<hr/> \$378,476,027
Amount by which minimum value as found by Commission exceeds total capital liabilities as of June 30, 1921	\$9,801,315
Amount of equity represented by Common Stock (difference between property values of \$388,277,342 and total of senior obligations)	84,283,838
Same per share of \$74,482,523 of Common Stock....	<hr/> 113.16

This valuation, officially determined by the United States Government, refutes for all time and for all purposes the suggestion sometimes made by the uninformed, that this Company is over-capitalized. We regard the valuation established by the Commission as being much less than the actual value of the property, and have filed the protest contemplated by law in the hope that, upon a hearing, the Commission will substantially increase its valuation; but, even on the Commission's minimum basis, this valuation must

be taken as establishing a property value behind out stocks and bonds, much in excess of their par value.

* * * * *

[fol. 624] According to the foregoing statement, the value of the physical property of the Chicago, Rock Island & Pacific Railway Co. (hereinafter called the Rock Island Co.) as of June 30, 1921, was, \$388,277,342

Deducting:

Non-carrier property	\$5,745,895	
I. C. C. valuation of Chicago, Rock Island & Gulf Railway Co. as of June 30, 1915 (1)	13,212,667	
Additions and Betterments, of the Chicago, Rock Island & Gulf Railway Co. June 30, 1915, to June 30, 1921 (2)	1,034,911	
I. C. C. Valuation of Morris Terminal Railway Co. (3)	48,750	
	<hr/>	20,042,223
		<hr/>
		\$368,235,119

The foregoing appraisal of the physical property of the C. R. I. & P. is based upon the findings of the Interstate Commerce Commission and is unqualifiedly endorsed by the company itself as the minimum "actual value" of its property. However one modification should probably be made. The accrued depreciation as of Dec. 31, 1921, was \$11,700,806 (4) greater than for June 30, 1915. The Mileage for 1921 was 7,661.69 compared to 7,854.54 in 1915. Deducting this figure as representing the approximate increase in accrued depreciation, we have a final figure claimed by the Rock Island Co., as representing the minimum value of its physical property as of December 31, 1921, amounting to \$356,534,313.

The C. R. I. & P. Ry. Co. in its annual report was compiling a figure to compare to its total capitalization of \$378,400,000 and for that reason the physical value of the Keokuk & Des Moines, Peoria & Bureau Valley and White and Black River was deducted. However inasmuch as the operations of these companies are included in

(1) Tentative Valuation Report of C. R. I. & P. Ry. Co., Docket 152, page 85.

(2) Annual Reports of the Chicago, Rock Island & Pacific Ry. Co. 1915 to 1921, inclusive. The figure for six months of 1921 had to be approximated by dividing the total for the year.

(3) Tentative Valuation Report of C. R. I. & P. Ry. Co., Docket 152, page 87.

(4) The item \$11,700,806 is subject to some question. The item for 1915 may have been inadequate while that for 1921 more closely approximated the real situation. However according to the carriers' reports there was this increase in the accrued depreciation from 1915 to 1921. The figure \$368,235,119 assumes no change in depreciation of either old or new property during that period.

the Rock Island system operations, whenever system operations are considered in connection with the physical value of the plant the valuation of these properties should be added, making a final total of \$362,349,271.

[fol. 625]

EXHIBIT 5 TO THORNE'S AFFIDAVIT

Apportionment to Iowa

Value of Physical Property of the Chicago, Rock Island & Pacific Ry. Co. Within the State of Iowa as Evidenced by C. R. I. & P. Ex. 8, Filed with the Executive Council of the State of Iowa.

The above described exhibit is headed: Analysis of the Interstate Commerce Commission's Tentative Valuation, showing Reproduction Cost, Less Depreciation (as of June 30, 1915) together with accruals under Valuation Order No. 3, to December 31, 1921, within the State of Iowa.

The details are given of the original tentative findings of the I. C. C. with subsequent accruals.

The physical character of the items is illustrated by the following headings:

Total Roadway and Structures.....	\$61,977,877.00
Total Land	11,417,355.00
Total Equipment	15,937,035.00
Total Miscellaneous Elements of Cost.....	5,048,985.00

Total Reproduction Cost—Less Depreciation in the State of Iowa, as of December 31, 1921	\$94,381,252.00
---	-----------------

The details of the item "Miscellaneous Elements of Cost" for the C. R. I. & P. Ry. Co. are as follows:

Unallocated Engineering, Structures and Machinery Costs.....	\$7,831.00
Allotment of 2½% to C. R. I. & P. (Iowa proper- ties)	1,738,424.00
Allotment of Working Capital to the C. R. I. & P. Ry. Co.	2,566,348.00
Allowance made in Final Value.....	47,340.00
	<hr/>
	\$4,359,943.00

NOTE.—This does not include any allowance for increased cash, and materials and supplies for Iowa, aggregating \$4,502,624.

[fol. 626]

EXHIBIT 6 TO THORNE'S AFFIDAVIT

Value of the Physical Property of the Chicago, Rock Island & Pacific Ry. Co Within the State of Iowa for each Year from 1915 to 1921 as Evidenced by Tentative Valuation of Interstate Commerce Commission in Docket 152 and Annual Statistical Reports of said Commission for Subsequent Years.

Total Physical Value of the C., R. I. & P. R. R. Within the State of Iowa

1915	1916	1917	1918
\$88,607,711	\$89,690,519	\$92,882,075	\$94,569,151
1919	1920	1921	
\$94,769,052	\$97,229,703	\$97,894,643	

Method of Computation.—We have used as our base figure the valuation of the property of the C. R. I. & P. Ry. Co. made by the Interstate Commerce Commission, as of June 30, 1915, distributing unallocated items to the State of Iowa in the same ratio as that adopted by the C. R. I. & P. Ry. Co. in their Ex. 8, before the Executive Council of the State of Iowa. To this base figure we have added for each year the net increases in investment in road and equipment as shown in the reports as to this company published in the annual statistical report of the Interstate Commerce Commission, deducting the increase in the accrued depreciation for each year as shown in the said reports. The final figure for 1921 checks within 4% of the final figure the C. R. I. & P. used in Ex. 8, where they allow a general average depreciation figure of 18%. The latter percentage seems high for the average life of new equipment of approximately 3½ years. But either method approximates the same result.

[fol. 627]

EXHIBIT 7 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Value of Physical Property as Evidenced by the Claims of the Chicago, Rock Island & Pacific Railway Company in Valuation Docket 152, Before the Interstate Commerce Commission

The Rock Island Co. maintains before the Interstate Commerce Commission that the valuation found tentatively by the Commission and used as the basis in the preceding exhibit is inadequate. The following are extracts from the Protest filed by the said company, in conjunction with others, before the Interstate Commerce Commission, in Valuation Docket 152:

Value

"The carriers jointly and severally protest:

"1. That the reported values of their respective common-carrier properties have been determined arbitrarily and without proper consideration of all relevant facts, and are much less than the true values of all of said properties on valuation date. Such values, including working capital and supplies, determined in accordance with legal principles, were not less than the following:

"The Chicago, Rock Island and Pacific Railway Company, and its subsidiary carriers (The Choctaw, Louisiana, Short Line, Dardanelle, Stuttgart, Memphis Terminal, Gulf and Morris)	\$525,000,000
"The Keokuk	6,775,000
"The Bureau Valley	3,000,000
"The White River No. 2	1,250,000"

The total value claimed by the Rock Island is: \$536,025,000.

The finding of the Commission aggregated \$335,539,013 for the C. R. I. & P., C. R. I. & G., and Morris Terminal. If we add non carrier property, the total becomes \$341,284,908. In other words the Rock Island claims an increase in the physical value of its property over that allowed by the Interstate Commerce Commission of approximately \$194,740,092.

[fol. 628] The character of the Rock Island claims is shown by the following extracts:

"That the values of their respective properties have been determined without reference to and without consideration of the value of the lands devoted to the common-carrier purposes. The present value of carrier lands reported in said Tentative Valuation is the Commission's estimate of the acreage, or other unit, value of the lands adjacent thereto, applied to the carrier lands computed into acres, lots or other standard units, and is not their value. Such carrier lands, because of the small areas and peculiar shapes and location in which they were originally acquired and are now held, have a greater value, and could not be reacquired in a reproduction of the several railroads at their acreage, lot or other standard unit of value.

"That the tentative valuations fail to state separately the other values and elements of value of the properties of the respective carriers, which existed in respect thereof on valuation date.

"That, with respect to the properties of each carrier, the cost of reproduction new, cost of reproduction less depreciation, so-called present value of land owned and used for common-carrier purposes, and the original cost (or "recorded outlay" or "investment in road and equipment"), as set forth in the tentative valuations and the accompanying reports, are each improperly and illegally determined, and are less in amount than they should be because of mistakes, omissions and erroneous methods of determination; and to the extent that the values of the respective properties, set forth in the Tentative Valuations, are based on a consideration of the aforesaid re-

ported costs, values, outlays and investments, or any of them, said values have been improperly and illegally determined and are inadequate."

* * * * *

"9. That the respective final values should include, on account of working capital, material and supplies, and other current assets, not less than \$20,000,000 for The Chicago, Rock Island & Pacific Railway Company, and \$1,000,000 for the Chicago Rock Island & Gulf Railway Company.

"10. That the value of contracts, rights and privileges held, used and enjoyed by the respective Carriers for common-carrier purposes on valuation date; such as contracts or leases for the use of stations, terminals and terminal facilities, bridges, elevators, docks and wharves, refrigerator cars, telegraph lines, trackage and operating rights over the lines and facilities of other carriers and various of the rights of occupation and use are excluded from the Tentative Valuations.

* * * * *

[fol. 629] "2. That is stating the recorded outlay or the costs of the various properties numerous substantial items have been omitted, as follows:

(a) Cost of properties paid for out of, or appropriated from, income.

(b) Costs whose exact amount is not ascertainable although the fact of the expenditure is established and the amount thereof can be fairly and reasonably ascertained.

(c) Cost to date of physical properties in use on valuation date (e. g. ties and rails), stating in lieu thereof the alleged cost of the original properties, which have been replaced from time to time in the process of maintaining the railroad by use of property of different character and value.

* * * * *

(g) Interest on funds expended during construction; transportation cost of men and material in construction work; cost of adaptation, solidification and seasoning; engineering costs; cost of material and supplies and working capital, and many other items of actual cost in the production of the respective properties of the carriers.

* * * * *

"5. The Tentative Valuations omit expenditures made by the respective Carriers in acquiring interests in corporations owning common-carrier facilities for the use and benefit, in part, of the respective Carriers, which expenditures were made in order to furnish common-carrier facilities to the public.

"(b) the periods fixed for the allowance of interest during construction, namely: for roadway expenditures, one-half the construction period plus three months; for equipment expenditures, three months, are too short.

"(c) no interest is allowed during construction on the expenditures for carrier land:

* * * * *

"2. That the methods of determining so-called present value of carrier lands ignore numerous essential facts:

(a) in the acquisition of lands for common carrier purposes, many rights, easements and privileges of the grantors are extinguished or destroyed by the construction of the railroad, or are transferred to the carrier, the value of none of which is reflected in the normal acreage, lot, parcel or other unit of value of the adjoining and adjacent lands, but which has to be and is paid for by the carrier;

[fol. 630] "(b) the construction and operation of a railroad frequently causes damages to the adjacent and adjoining lands and property thereon for which the carrier in acquiring its carrier lands has to pay;

"(c) building, structures and other improvements on the lands acquired by a carrier have to be paid for;

"(d) the cost of removing and relocating highways, buildings, fences, water mains, sewers, wire conduits, and other structures which the carrier frequently has to pay adds to the costs of its lands;

"(e) taxes which have accrued on lands at the time of their acquisition by the carrier generally have to be paid by the carrier.

"3. The Tentative Valuations and the Land Reports fail to include an amount for interest and taxes during construction upon the cost of acquiring the carrier lands, or for interest, incidental expenses and taxes during construction upon the value thereof."

Increased Iowa Valuation Claims of the C., R. I. & P.

Specifically as to Iowa, the Rock Island claims the Commission's valuation should be increased by the following amounts:

Engineering, Grading, Bridges, Trestles, Culverts, Ties,	
Rails, Ballast, etc.	\$18,326,516
Sand	14,017,698
Rights in Public Domain, and in Private Lands.	2,498,230
	<hr/>
	\$34,842,444

The Rock Island Company also claims increases must be made of the following amount, not specifically allocated to states or localities: for working capital, materials, supplies, and other current assets.

512,190,017 (blanket claim is made for \$21,000,000 for this item, but the Commission allowed \$8,809,983); interest and taxes on land during construction \$23,385,740; development cost and organization value—\$30,000,000. These partake more of the nature of blanket allowances necessary to a going concern rather than value of physical properties on hand, and they will be referred to in another exhibit.

Adding the above item of \$34,842,444 to the total value as found by the Interstate Commerce Commission June 30, 1915, brought down to Dec. 31, 1921, by the Rock Island Co., we have a total value of the physical property of the Chicago, Rock Island & Pacific Ry. Co., within the State of Iowa, as claimed by that Company itself in formal proceedings before the Interstate Commerce Commission, aggregating \$129,223,696.

In this total there is no allowance for franchise values.

[fol. 631] Valuation for Taxation Purposes Within the State of Iowa

Part II

Franchise and Other Intangible Values

[fol. 632]

Part II

Franchise and Other Intangible Value

Explanatory Statement

The Chicago, Rock Island & Pacific Railway Company in its brief before the Interstate Commerce Commission, in valuation docket No. 152, protests against the inadequacy of the valuation of those properties tentatively made by the Commission, and sets up as one of its grounds, the following:

"That the reported cost of reproduction new of their respective properties is inadequate in that it is limited to an estimate of the alleged costs of the bare, undeveloped physical property; whereas the Carriers were on valuation date developed and organized transportation agencies with an established business, whose physical properties were developed and adapted to the use to which they are devoted, to a greater extent than existed at the time when their original construction was completed. That costs are omitted which are naturally and inevitably incurred, and which were actually incurred by the respective Carriers, and which are in excess of and in addition to the engineering costs estimated for the physical property. That new railroads are operated at a deficit for a considerable period of time before traffic is built up and before maintenance and operating difficulties are overcome. In a normal program of reproduction this 'development period' must be allowed for, and these development costs included. That on account of such omitted costs of reproduction, the properties of the Carriers as the same actually existed on

valuation date in a developed physical condition and with a developing business, there should be added to the reproduction costs for the specific accounts Nos. 1 to 77 inclusive, a sum not less than \$30,000,000. Inasmuch as the respective Carriers compose a single operating system, said costs is not apportioned among them."

Other claims are presented, aggregating in all almost \$200,000,000 in excess of what the Bureau of Valuation of the Interstate Commerce Commission has adopted for the valuation of the Rock Island railways. This presentation will have to do with only a part of these claims of the Rock Island Company.

The terms "Going Value," non physical value, intangible value, development cost, the value of an organized business, franchise value, etc. have been used in many appraisals and represent something of real worth to the owners of any established business. The reasons for including a portion only of what we ordinarily consider to be going value, and the reasons for excluding franchise value entirely in an appraisal for rate-making purposes, although it is eminently proper and fair to include franchise values in an appraisal for taxation purposes of a public utility or railroad, are all matters to be discussed in the briefs. We are here concerned only with a presentation of certain facts bearing upon an appraisal for taxation purposes. [fol. 633] Various methods have been proposed for determining the non-physical value of a going enterprise which is not represented in the "bare bones" of the physical property by itself. This value must be determined at best by some arbitrary method, but the value is real nevertheless. A man selling a store or a factory in successful operation demands and ordinarily receives something more than the value of the physical property; this amount must be estimated and approximated; it is not tangible or physical, but it is very real and genuine in all business affairs.

I shall attempt to present a fair method for the determination of the franchise and other non-physical values of the railroads here involved. We shall present an outline of the methods used in various appraisals and shall apply one or more of these to the facts at issue in this proceeding.

Methods of Determining Franchise and Other Intangible Values

The Michigan Method

Exhibit 8 Sheet

Henry C. Adams, ^{for} twenty-four years chief statistician for the Interstate Commerce Commission was employed by the State of Michigan in 1901 in connection with their appraisals of Michigan railroads for taxation purposes. The basic policies and principles adopted by him at that time have been subsequently followed, with modifications as to details, in numerous other appraisals.

Exhibit — gives a complete copy of the communication to the Michigan Board of State Tax Commissioners, on March 27, 1901,

In this communication Mr. Adams outlines in detail the method pursued by him. Attached to this letter is the form of compilation used by Mr. Adams. (Note A.)

In 1910, Mr. Adams appraised the franchise values of the United Railways of Detroit, using the same basic method as to capitalization of surplus, previously described. This work was done under the supervision of a Committee of Fifty. The result showed an intangible value equal to twenty-five per cent of the physical value.

Another computation was made by Mr. Adams assuming for certain specified reasons, an increase in the gross earnings of the plant which showed the intangible value to equal thirty-eight per cent of the physical value.

The Bemis Method

Mr. E. W. Bemis, in 1899 appraised the value of the franchise of the street railway in Detroit for a Commission headed by Governor H. S. Pingre, in which the State proposed to authorize the purchase of these properties by the City of Detroit. The method he adopted [fol. 634] at the earlier date conforms to the principles subsequently adopted by Henry C. Adams for the Board of Tax Commissions of the State of Michigan. Mr. Bemis capitalized the net earnings of the property after allowing four per cent interest on the physical value of the plant, amounting to \$8,000,000. In this case the value of the franchise was fixed at \$8,478,563, or approximately 106 per cent of the value of the physical property.

NOTE A.—One of the figures used in Mr. Adams' computation is the yield on tax exempt securities. We have gathered together some data on that subject in the statement attached hereto.

The Wisconsin Method

A method was adopted by the Wisconsin State Railroad Commission for determining the going value or development cost of the property by capitalizing the past deficits from operation. For example, the amount by which a company failed to earn a certain percentage on its property was capitalized at a fixed percentage and that value was added to the physical value of the property. This method would make a very large "going value" for the "weak sister." The greater deficits a company had during previous years, the greater would be the value of its property. The poorer a company is, the richer it is—according to this method. We have not used this method. We mention it in passing simply to illustrate one of the methods that have been used in various states.

The Arnold Method

The Chicago Street Railways were appraised by Biron J. Arnold in 1903. Mr. Arnold adopted precisely the same principle as was used by Messrs. Bemis and Adams in the State of Michigan and

which we shall refer to as the Bemis-Adams method. Mr. Arnold allowed five per cent on the physical value of the plant, deducted this from the net revenue, and capitalized the surplus at five per cent.

The Riggs Method

Mr. Henry Earle Riggs, an engineer for a number of years in the service of the Chicago, Burlington & Quincy, A. T. & S. F. Ry. and connected with valuation litigation of railway and public utility properties in Michigan, Ohio, Vermont, Georgia and Wisconsin, a man who has built several hundred miles of street and electric railways, also water works and other public improvements in many cities and towns, presented an analysis of the Adams formula for the determination of the value of non-physical property before the American Society of Civil Engineers in 1910. Mr. Riggs proposed the following modified form of Adams' method:

"On this basis, then, a rule would be formulated, being that of Professor Adams, with some modifications:

"1. Deduct from gross earnings from operation the aggregate of operating expenses, including in operating expenses an annual sinking fund to amortize the depreciation and obsolescence, and the remainder may be termed 'income from operation.'"

[fol. 635] "2. To this income from operation add income from investment, giving 'total income,' which represents the amount at the disposal of the corporation for the support of its capital and for the determination of its annual surplus.

"3. From 'total income,' deduct taxes, rents paid for lease of operated property (provided such property is not included in the appraisal), and improvements chargeable to income. The remainder represents the income after all charges against operation of property, and maintenance of the integrity of the capital investment have been cared for.

"4. From this remainder (3) deduct such a percentage of the value of the physical property (representing invested capital) as would equal the income of that capital if invested in government or other nontaxable bonds. The remainder would represent surplus, which, capitalized at a proper rate, would equal the value of intangible or non-physical properties, which is to be added to the appraised value of the 'physical property.'

"5. If, instead of a surplus, a deficit occurs, a careful study of all the conditions surrounding the operations of the property should be made, and, if there be no reasonable expectation of increase of earnings, or other modifying conditions, a proper figure, based on the average deficit, should be determined, and, as a negative intangible value, deducted from the value of the physical property.

"6. In the determination of rates, to be used in computing income and for capitalizing surplus or deficit, the greatest of care

must be exercised to adopt such figures as will be proper and absolutely just."

Capitalization of Gross Earnings

The State Board of Appraisers in New Jersey fixed the value of the property based upon gross earnings. The Supreme Court held in regard to the action of the Board:

"It is quite impossible for the court to say that the result thus reached is in anywise erroneous or excessive."

Commenting upon the action of the Board, the court said:

"That the amount of the capital stock and of the funded debt and other debts of the corporation or person taxable under the act aforesaid should be ascertained, and that the value thereof also be ascertained, and that in all cases where the aggregate amount of the value of the capital stock and of the securities representing said debts was less than the entire amount of the tangible property of such corporation, the value of the franchise should be ascertained by deducting from the aggregate amount of the value of such capital stock and of the securities representing such debts, the aggregate amount of the value of said tangible property, and sixty per centum of the amount remaining in each case should be taken and held to be the value of the franchise of such corporation; and that in all cases where the amount of the value of the capital stock and of the securities representing said debts was less than the value of the entire amount of the tangible property of such corporation, the gross earnings of such corporation should be ascertained and that [fol. 636] twenty per centum of such gross earnings (being an amount which would make the tax upon the franchise of such corporation a sum equal to one-tenth of one per centum upon such gross earnings) should be taken and held to be the value of such corporation."

(— v. —, 20 Vroom, 1.)

Capitalization of Gross Earnings is very unsatisfactory guide. We can find the precedent of New Jersey followed in no state in the Union, not even in the State of New Jersey.

Wilcox Method

Mr. Delos F. Wilcox, Consulting Franchise and Public Utility Expert, New York City, Deputy Commissioner, Department of Water Supply, Gas and Electricity, presented a statement entitled "Principles as to Franchise Values" published in the proceedings of the conference on valuation held at Philadelphia, November 10th, 1915. Mr. Wilcox summarized the principles which have been repeatedly approved in the various appraisals of franchises and non-physical properties in the following language:

"While it is much to be desired that the principles of valuation should be made as nearly uniform as possible so as to reduce the existing chaos in valuation matters to a minimum, yet for the present it is impracticable to apply strictly uniform principles to valuations for such widely different purposes as, (1) taxation; (2) rate-making; (3) condemnation; (4) involuntary sale; (5) voluntary purchase; and (6) capitalization. Taking up these several purposes seriatim, we may consider the principles as to franchise values, giving due consideration to the character, duration and terminability of the franchise in each case.

"1. Franchise Values for Purposes of Taxation.

"It is now well established that it is admissible to tax franchise values whenever and wherever they exist, without reference to the possibility of their being reduced or destroyed in the future, whether by expiration, by regulation of rates and services, by decrease in demand, by increase in expenses, or by other causes. It is to be noted, however, that in establishing a value for taxing purposes, when the tax is first imposed, if the taxing officials assess the franchise at its full market value as untaxed property, the imposition of the tax will automatically reduce this value and thereby reduce the assessment for the succeeding year and thereby reduce again the amount paid in taxes which in turn will have the effect of giving back a portion of its original value of the franchise. This oscillation can be prevented if the effect of the tax is discounted in advance.

"It may be that a franchise is worth much less than it originally cost, or, indeed, much less than it would cost to reproduce it. Present value for taxing purposes is not to be determined either by actual cost or by assumed reproduction cost. The most widely accepted method of ascertaining franchise values for taxing purposes is the so-called net earnings method. From the gross earnings of the corporation are deducted, first, operating expenses, depreciation and taxes and, second, a fair minimum rate of return upon the value of all the physical property used and useful in rendering the service. Whatever is left represents the earnings of the franchise and, if capitalized, will represent the value of the franchise. Thus, the value of a franchise for [fol. c37] taxation purposes is to be determined primarily by its earning power, which in turn, usually is the main factor in establishing its market value."

Arbitrary Percentages

Many tribunals and consulting engineers in valuing properties for purchase and sale have allowed for the franchise value on a blanket percentage basis, varying generally from 25 to 60 per cent.

Rock Island Allowances

In Valuation Docket 152 before the Interstate Commerce Commission, the Chicago, Rock Island & Pacific Railway Company has pre-

sented various claims for certain factors in the valuation of its properties, which have been omitted by the Interstate Commerce Commission according to the Rock Island Company.

In that portion of the exhibits filed with this affidavit, dealing with physical values, we have listed certain of these items which seem to be definitely physical in character, such as allowances for bridges, culverts, land, etc.

We here present certain additional claims of the Rock Island for the valuation of its properties which seem to be more non-physical or intangible in character, being arrived at generally by some arbitrary percentage method, rather than by the itemization of units of physical property on hand and definitely located. It is somewhat difficult to differentiate in some cases between the valuation of the physical and the valuation of the non-physical portion of the property belonging to a public service corporation. It is difficult to draw the line between night and day—where one ceases and the other begins, but we will acknowledge there is a difference.

We have listed the items claimed by the Chicago, Rock Island & Pacific Railway Company in our Exhibit; and we have also apportioned these values to the State of Iowa in exhibit. For the purpose of taxation we concede the existence of these property values belonging to the Chicago, Rock Island & Pacific Railway within the State of Iowa.

These specific items we have listed in the said exhibits approximate \$66,138,500 for the Rock Island Lines for System as a whole (including the C. R. I. & G. and the Morris Terminal). This total sum is composed of the working capital including material and supplies, interest and taxes on land during construction and development cost. The total is equivalent to approximately 20% of the physical value of the Rock Island Lines as found by the commission (\$335,538,826—this differs slightly from the total given in the annual report of the C. R. I. & P. Ry. Co. to its stockholders, but is checked from the Commission's records. Occasionally the Railway Company's figures may be used in these exhibits, causing a slight variation.

If we exclude the C. R. I. & G. and Morris Terminal the total value of the physical property of the C. R. I. & P. Ry. Co. as found by the Commission was \$322,277,596, as of June 30th, 1915. A part of this value is definitely allocated to the various states and a minor portion is not so distributed. If we apportion the allocated in the same ratio as that which is specifically distributed, the value of the physical property of the Rock Island in Iowa was \$88,304,061 on June 30th, 1915.

[fol. 638] The total amount claimed for working capital, etc., by the Rock Island aggregated \$66,000,000 in round numbers and was not apportioned to the states. If we apply the same ratio to the physical property in Iowa as this sum is of the physical property of the system, the value of these factors including working capital, interest and development cost as claimed by the Rock Island for the State of Iowa is \$17,660,812.

[fol. 639]

Application of Formula A

In Exhibit 9 we have appraised the non-physical value of the Chicago, Rock Island & Pacific Railway Company within the State of Iowa, using so far as the figures were obtainable, the method adopted by Henry C. Adams for the appraisal of Michigan railways, for taxation purposes, with the qualification that we have used the year 1921 instead of a series of years (in the next exhibit which we shall describe we have used the series of years).

In this exhibit we have adopted as the value of the physical property the appraisal \$362,000,000. This figure is based upon the physical appraisal by the Interstate Commerce Commission as of June 30, 1915, plus subsequent additions to property. We have used the reports of the Interstate Commerce Commission as authority for statement of earnings, expenses, interest, etc. The exhibit is self explanatory. It shows a total value of the non-physical property within the State of Iowa for the Chicago, Rock Island & Pacific Ry. Co. amounting to \$11,702,064.61.

Application of Formula B

In Exhibit 10 we have made an application of the Michigan method to the Chicago, Rock Island & Pacific Ry. Co. in all essentials where the figures were obtainable. We have used the series of years for 1915 to 1921 inclusive, adopting as a valuation of the physical property the appraisal made by the Interstate Commerce Commission. To this figure we have added the increases in property from year to year as shown by the official reports of the Commission after allowing for accrued depreciation. In the case of a few of the smaller items of minor importance, we have used the mean between 1915 and 1921 instead of the average for the entire series of years. This is done simply to save time. The other computation would not vary the result two per cent. This computation shows a value of the non-physical property (based upon average earnings through a period when the C. R. I. & P. Ry. Co. was in the hands of a receiver, aggregating \$4,448,274).

Application of Formula C

In Exhibit 11, we have made a modification of the Michigan Method by the elimination of the item "Interest on Current Liabilities." The reports of the Chicago, Rock Island & Pacific Railway Co. show that even after deducting the cash on hand for the year 1921, the current assets and current liabilities practically balance. In view of the practical operation of the railway company, its handling of the funds, transaction of business on a cash basis almost entirely, constant receipt of money from operation, and the balancing of current assets and liabilities, we do not believe this interest charge is proper.

[fol. 640]

Application of Formula D

In Exhibit 11 we have made the same modification as in Exhibit 10 of the Michigan method as applying to the average and mean for the series of years 1915 to 1921 inclusive. The exhibit is self explanatory.

Application of Rock Island Method

The Chicago, Rock Island & Pacific Railway Co. without reciting its method in detail claims values because of organized business, development cost, working capital, materials, and interest and taxes on land during construction, aggregating \$66,128,500. Applying this proportion to Iowa as described in Exhibit 13 makes a total increased value because of these factors in the appraisal of the property of the C. R. I. & P. Ry. Co. for taxation purposes within the State of Iowa aggregating \$17,600,812.

[fol. 641]

EXHIBIT 8 TO THORNE'S AFFIDAVIT

The Michigan Method of Determining Value of Non-Physical Property

Communication from Henry C. Adams Relative to the Michigan Appraisal of Railroad Property Addressed to the Michigan Board of State Tax Commissioners March 27, 1901.

This is copied from a public document, being bulletin 21 of the Bureau of Census of the Department of Commerce and Labor.

Ann Arbor, Mich., March 27, 1901.

To the Michigan Board of State Tax Commissioners.

GENTLEMEN: I have the honor to submit to you my report upon the appraisal of the value of the non-physical elements of Michigan railways. Ordinarily it would be adequate to state the results of such an appraisal without comment, but in view of the fact that the legislature is called upon to determine whether the ad valorem principle of taxing corporate property is to be substituted for the present method of specific taxation, it seems appropriate that these results be accompanied by such explanation and comment as is necessary to make clear the method which has been followed, to point out the difficulties encountered in the appraisal, and to suggest a few points that should find place in any law providing for the ad valorem taxation of railway property.

In October I presented to your honorable body a statement containing a rule for the appraisal of the non-physical elements of corporate property. This rule, as also the analysis which accompanied it, received your approval, and is submitted in this connection, slightly

modified, partly that it may be made a matter of public record and partly because this is the simplest way of explaining the principles which underlie the present appraisal.

(Letter Containing Rule for Computing Intangible Values of Railway Corporations)

Ann Arbor, October, 1900.

To the Board of State Tax Commissioners, Lansing, Mich.

GENTLEMEN: In reply to your request for a method of valuing the non-physical element in railway properties, I submit the following:

First. It is understood that the object of the investigation instituted by the Michigan tax commissioners is to determine whether the properties imposed with specific taxes pay, upon their true value, a rate equal to the rate paid by property taxed under the general tax law. The suggestions here submitted pertain to railways organized as corporations and whose chief business is that of transportation.

[fol. 642] Second. It is understood, that, as one step in this investigation, the commission has undertaken to appraise the physical property of the railways (real estate included), and that the request made of me is to formulate a satisfactory rule for appraising the non-physical or immaterial element in railway corporations.

Third. It is submitted that this non-physical or immaterial element is not a simple commercial element, but includes among other things the following:

1. It includes the franchise—

(a) To be a corporation.

(b) To use public property and employ public authority for corporate ends.

2. It includes the possession of traffic not exposed to competition, as, for example, local traffic.

3. It includes the possession of traffic held by established connections, although exposed to competition, as, for example, through traffic that is secured because the line in question is a link in a through route.

4. It includes the benefit of economies made possible by increased density of traffic.

5. It includes a value on account of the organization and vitality of the industries served by the corporation, as well as of the organization and vitality of the industry which renders the service this value, consequently, is, in part, of the nature of an unearned increment to the corporation.

Fourth. As corroborating the existence of this element of value in all successful corporate enterprises, reference may be made to the following facts:

1. Corporations are frequently bonded for an amount in excess of the value of physical properties less the proceeds of the stock issued. If traffic, or good will, or franchises, or organization can be made security for the borrowing of money, is it not evident that they possess an established commercial value?

2. It is not uncommon for courts, in placing railway properties in the hands of receivers, to defend their action by the assertion that the step is necessary in order to prevent the disintegration of the property. Is it not a legitimate conclusion from this fact that the courts recognize organization as an element of value?

3. The universal recognition of the necessity of supplementing the general property tax by some special method of taxation in the case of railways is an acknowledgment of the fact that the general property tax by ordinary methods of assessment does not attach itself to the full value of corporate property. The general property tax worked well when the major portion of the property was material and visible; it failed to work well when through the development of corporate enterprises and credit relations, immaterial values came to be relatively significant.

[fol. 643] Fifth. Inasmuch as nothing tangible or visible gives support to the value under consideration, it must be determined on the basis of information secured from the current accounts of the corporations. There are two accounts which may be used for this purpose, namely, the general balance sheet and the income account. In the balance sheet will be found a statement of assets and liabilities, giving cost of road and equipment on one side, and the par value of stocks and bonds on the other. For reasons that need not here be stated, these items are not satisfactory for the purpose which this commission has in view. It may be assumed that the appraised value of the physical property of railways (including the right of way) will not coincide with the balance sheet statement of the cost of road and equipment.

The practice adopted by many states of appraising railway property on the basis of the market value of stocks and bonds has something to be said in its favor, but it is not satisfactory. This point, however, need not be argued at the present time, because this commission by instituting an appraisal of the physical assets of the corporations, has committed itself to a rule inconsistent with the valuation of corporate liabilities.

In discarding the balance sheet as the basis of valuation the commission is forced to accept for this purpose the income account, a conclusion which finds support in the established rules of corporation finance. The task of appraising railway properties undertaken by this commission is akin to, if not identical with, the revaluation of railway securities, should this become necessary for reorganization or

for transfer. As stated by Mr. Greene, an authority upon this subject, the holder of railway properties "must accept as a basis for revaluation of his securities the earning power of the company as a carrier of traffic." This "earning power" is undoubtedly the basis of all valuation of corporate properties, and it is the income account from which this earning power can be determined.

Another reason for accepting the income account of railways as a basis for the appraisal of immaterial values is that the rules of book-keeping, so far as this account is concerned, are fairly uniform for all railways. This is especially true so far as it is necessary to make use of the income account for the purpose of this commission. The degree of accuracy attained in this account may be suggested by reference to the official classification of operating expenses adopted and followed by the principal railways of this country, a copy of which is herewith submitted. I also submit in this connection the form of income account prescribed by the Interstate Commerce Commission and followed by the majority of state commissions.

Sixth. The rule submitted for the appraisal of the immaterial values of railway properties, or what I prefer to term the capitalization of corporate organization and business opportunity, is simple, as follows:

1. Begin with gross earnings from operation, deduct therefrom the aggregate of operating expenses, and the remainder may be termed the "income from operation." To this should be added "income from corporate investments," giving a sum which may be termed "total income" and which represents the amount at the disposal of the corporation for the support of its capital and for the determination of its annual surplus.

2. Deduct from the above amount, that is to say, total income, as an annuity properly chargeable to capital, a certain per cent of the

3. From this amount should be deducted taxes, *rents paid for the lease of property operated, provided such property is not covered by the physical valuation made the basis of the annuity referred to under paragraph 2, and permanent improvements charged directly to income. The remainder would represent the surplus which, capitalized at a certain rate of interest, gives the value of immaterial properties.

Seventh. To obviate the criticism that both gross and net earnings vary from year to year, it is suggested that, in place of a single year's income account, the average income account of a period of ten years be accepted as the basis of computation. The reason for accepting a period of ten years is that under existing commercial conditions it is likely that the corporation whose property is ap-

*The Michigan system of railway accounts prescribed by the railroad commissioner includes taxes in "operating expenses" and for the purpose of this analysis such inclusion may be accepted.

praised would, during that period, pass through years of both prosperity and adversity.

Respectfully submitted, Henry C. Adams.

The nature of the rule presented above may be seen more clearly from the blank form next presented, being the form to which the accounts of each railroad were reduced preparatory to compilation.

Form of Compilation

Name of Road: ———

Statement Showing Computation of the Value of the Non-physical Elements of the Above-named Road, Whose Physical Elements Were, on November 1, 1900, Officially Appraised at \$—.

Average Statement for — Years Ending ———

Items	Items	Amounts for entire system	Per mile operated	Amounts apportioned to Michigan
Number of miles operated...
Gross income from operation.	\$.....	\$.....	\$.....	\$.....
Operating expenses, exclusive of taxes
[fol. 645] Net income from operation
Net income from investments
Total available corporate income
Annuity deducted for capital at 4 per cent of the mean value of physical elements.
Remainder available for other purposes
Further deductions:				
1. Taxes on physical elements at 1 per cent of mean value
2. Rentals on property not covered by appraisal
3. Interest on current liabilities.....
4. Permanent improvements charged to income.....
Total further deductions.....

Statement Showing Computation, etc.—Continued

Items	Items	Amounts for entire system	Per mile operated	Amounts appor- tioned to Michigan
Surplus
Deficit
Capitalization of surplus at 7 per cent, which results in a value of non-physical ele- ments such that it yields a net income of 6 per cent after payment of a tax of 1 per cent.....

Quite a number of queries suggest themselves, a consideration of which will help to explain somewhat in detail the theory according to which non-physical values are appraised.

First, It will be observed that the earnings made the basis of computation are the average earnings for a period of years. It was endeavored to make this period ten years, but in some cases the reorganization of a road, or some radical change in its industrial character, or the imperfection of its accounts has made it necessary to accept a shorter period. A moment's consideration makes evident the propriety of the substitution of an average income account for a period of years for the actual income account for any particular year. It is as true of railways as of any other industrial property that the commercial estimate of their value should not reflect the violent fluctuations in their gross or net earnings from year to year. Moreover, an efficient board of management will not permit its property to fluctuate in value with the casual fluctuations in earnings, because it will in times of prosperity accumulate as surplus against years of adversity, and by the use of this surplus satisfy the demands for dividends in order to influence the investors' estimate of the property. The rule here adopted conforms to the ordinary rule of appraising for business investments.

[fol. 646] From the point of view of the public treasury also, is it possible to frame an argument in favor of accepting the average earnings for a term of years as the basis of computing intangible values. It is evident, as far as this class of values contributes to the general basis of taxation, that it will show marked fluctuations if adjusted each year to the annual earnings of the corporations. The expenditures of the state, however, are fairly uniform from year to year, and the basis of taxation, as also the rate of taxation should present likewise a fair degree of uniformity. It is highly desirable, whether one considers the matter from the point of view of the corporations paying the tax or of the state receiving the tax, that the appraisal of property made the basis of taxation should be as stable as possible, and this can be easily accomplished, so far as the non-physical valuation of railway corporations is concerned, by accepting the average earnings of a period as the basis of computation.

Second. The valuation of physical elements presented by Professor Cooley shows the condition of railway property as it stood on or about November 1, 1900. It represents the mileage in operation and the equipment employed at that date. In case the history of a particular road during the ten years prior to 1900 shows either an increase or a decrease in mileage, the Cooley appraisal was subjected to an appropriate increase or decrease before computing the annuity to be deducted from average gross earnings for the support of physical capital. This explains why in many cases the annuity deducted does not correspond to 4 per cent of the physical value reported. In the appendix to this report will be found a statement for each road showing in detail the method of applying this rule.

Third. Any method of appraisal must be more or less arbitrary in its application. The arbitrary element in the method used in arriving at the figures contained in this report pertains to the percentage rates chosen; first, for computing the annuity assigned for the support of the physical capital; second, for computing the taxes to be paid by the corporations; and third, for capitalizing what remains of net earnings after the annuity, the taxes, and other legitimate payments incident to the operation of the property are deducted. By referring to the form inserted above it will be observed that the rate per cent selected for computing the annuity is 4 per cent; the rate selected for computing taxes is 1 per cent; while the rate selected for capitalizing the final surplus is 7 per cent. These rates are sufficiently important to warrant a somewhat extended consideration.

1. It must, in the first place, be recognized that the theory of the *ad valorem* taxation of corporate property implies that the state presents its claim directly to the corporation rather than to the individuals who as bondholders or stockholders are in fact joint proprietors in the property represented by the corporation. From this it follows that in arriving at a rate per cent which represents a reasonable return to investors it must be assumed that this return itself is free from further taxation, except, of course, it be made to contribute in the form of income tax or by means of consumption taxes. This being the case, the question of the rate which should be allowed on property invested in the physical plant of railways presents itself as follows: What is a fair return upon an assured nontaxable investment? In view of the ruling rates for money at the present time, it is believed that 4 per cent, free from taxation, is fair and equitable. This, at least, is the commercial judgment of the market, inasmuch as securities of this sort will sell at or above par. It may be remarked in passing that the form in which this report is submitted enables the substitution of any other rate for the one selected should the one quoted be regarded as unfair or unreasonable.

[fol. 647] 2. It will also be observed from the above form that in addition to an allowance of 4 per cent upon physical capital there is added an allowance of 1 per cent to cover taxes. The question immediately arises why this allowance is made and why the tax rate is placed at 1 per cent.

The answer to the first of these questions is found in the fact that the problem which the commission has undertaken to solve is to determine whether this species of property has paid under the form of specific taxation which it has been subjected to, a rate equal to the rate paid by other property. To this end it is necessary that railway property be appraised upon the assumption that it supports the same incumbrances as other property. A farm, a dwelling house, or a factory is bought and sold under the incumbrance of an annual tax and the price of transfer is determined in view of this fact. Were the annual tax remitted, other things remaining the same, the value of these properties would be increased by an amount equal to the capitalization of the sum remitted. It is, therefore, necessary in order to bring the appraisal of railway property to the same basis as other property for the purpose of comparison, to reduce the value of railway property by the capitalization of the tax incumbrance. This explains why an allowance is made for taxes before arriving at the surplus to be capitalized.

But why place the tax rate at 1 per cent? At 1 per cent tax rate was accepted because it is the average rate paid on the par value of property in Michigan. This conclusion rests upon the assumption that the average rate of taxation is 1.546 and that the average assessment of property is 65 per cent of its par value. It is of course, clear that 1.546 per cent of 65 per cent of par value is the same thing as 1 per cent of par value. If on further investigation, the percentages upon which this conclusion rests are found to be incorrect, the computation herein submitted should be modified accordingly. The significant point is that the form of computation made the basis of this report results in a valuation of railway property free from the incumbrance of taxation. Or, to express this in another way, it brings the valuation of railway property to the same basis as other property. It is therefore, not necessary to reduce the valuation of railway property by 35 per cent on account of undervaluation of general property by local assessors, before making comparison. That adjustment has already been made by the allowance of a 1 per cent tax.

3. It is necessary to consider, next, the rate accepted for capitalizing the final surplus, which capitalization is the value of the non-physical elements of the railway corporation. By referring again to the form presented above, it will be seen that 7 per cent is selected for capitalization, which results in giving a value capable of paying 1 per cent to the state as tax, and 6 per cent clear return to the investor. The reason for allowing 1 per cent for taxes has been stated in the foregoing paragraph. The query which presents itself in this connection pertains to the acceptance of 6 per cent as a proper return upon the valuation of railway property which exists in an intangible form, while 4 per cent is acknowledged to be a proper return upon property which exists in physical form. The reason for this distinction is that the return upon the appraised value of physical elements is not exposed to the same degree of risk to which the return upon the intangible or franchise valuation is exposed. This consideration brings into view one of the most profound questions of

equity that arises in connection with the relation of railways to the Government. A full discussion of this point would manifestly be [fol. 648] out of place, but whatever point of view regarded, it must be admitted that the trend of judicial opinion in this country is to the effect that neither the legislature nor a railroad commission can reduce railway charges below a point necessary to maintain a fair return upon an equitable valuation. And, while it is true that no Federal court, so far as I am aware, has identified this "fair valuation" with the cost of reproducing the property, thus by inference giving judicial warrant for the expungement of intangible corporate values, it is nevertheless true that these intangible values are exposed to the risk of being reduced by the legislative reduction of railway charges, a risk to which the tangible values of a railway, as measured by the cost of reproduction, are not exposed, and to which, under the constitutional safeguards thrown about private property, they can not be exposed. Such, at least, is my explanation for capitalizing the final corporate surplus over and above 5 per cent upon the appraised value of physical elements at 6 per cent rather than at 4 per cent, this latter being the rate allowed upon the physical valuation of the property. Such a conclusion seems to me justified in view of the general fact that a questionable investment demands a higher net return than one which is sure and which runs in perpetuity.

The above defense of 7 per cent as the rate of capitalization rests upon principles which warrant a deviation from this rate. Some roads, as, for example, the Manistee and Northeastern Railroad, are capitalized at 10 per cent instead of 7 per cent, because of the uncertainty of the continuance of the traffic from which they now derive an income; while other roads, as, for example, the Fort Street Union Depot Company, are capitalized at 5 per cent (or 4 per cent if payment of tax is guaranteed) because the income, being a contractual income, is assured beyond all peradventure. These variations in the rate illustrate the statement made above, that the variable or arbitrary element in the method of computation adopted by this report is the rate selected for the capitalization.

Fourth. The chief difficulty encountered in appraising non-physical elements of Michigan railways arose from the fact that many of these lines extend beyond the boundaries of the state. Manifestly, the most satisfactory method of arriving at the intangible value of such lines would be for contiguous states to unite in a general appraisal and to assign the aggregate valuation thus arrived at — the respective states. By this means the danger of an overestimate or of an underestimate of the aggregate of railway property would be avoided, and, since the question of the division of this aggregate is primarily a question which interests the states rather than the corporations, it is believed that a satisfactory rule could be devised. Such a method of procedure, however, was not possible in the present instance. The appraisal of physical valuation was limited to the lines within Michigan, and it was necessary to accept this appraisal for computing the value of the non-physical elements. It will be observed by referring again to the above form that the form itself provides one column for the Michigan portion contained in the pres-

ent computation. So far as gross earnings of the Michigan portion of interstate lines are concerned, the law already provides a rule by which they are to be computed. This rule requires, first, that the earnings on freight originating in Michigan and delivered to a point within Michigan should be assigned to the state as Michigan earnings; it requires, second, that earnings on freight coming from without the state to a point within the state, or freight passing through the state, or freight originating within the state carried to a point without the state, should be assigned to Michigan in proportion to the mileage of the haul within the state to that of the haul without the state. This method of procedure is familiar to the railways in the settlement of their interline accounts.

[fol. 649] This rule, however, is open to serious objection. It frequently happens in an extensive railway system that freight carried on a branch line, computed at the same rate per ton per mile as freight carried on the main line, does not contribute any considerable surplus over the expenses of the maintenance and operation of the branch line. Under such conditions the legislative rule for the localization of gross earnings would fail to assign any intangible value to the branch line. But this can not be accepted as final proof that the branch line is devoid of intangible value. It is one of the elementary principles of railway economics that a branch line is desirable, not only as a contributor of earnings to the system of which it is a part, but as a contributor of freight to the main line of the system. The chief value of the branch line to a system is frequently found in the fact that it secured to the system a longer haul on the main line, where freight is dense and where, on account of the density of traffic, expenses per ton per mile are relatively reduced. It may be urged that the main line contributes to the traffic of the branch line in the same proportion as the branch line contributes to the traffic of the main line, but this is no answer to the claim that a mileage assignment of earnings fails to measure the advantage, and consequently the commercial worth, of the branch line to the system, because it fails to take account of the fact that the economical administration of a railway depends almost entirely upon the density of its assured traffic. This being the case, it would seem proper to impute to the branch line earnings in excess of those which are allowed by the existing rule. This can be the most easily done by assigning to the branch line what is known in railway economics as "constructive mileage," that is to say, by letting each mile on the branch line count in the distribution of earnings for more than its physical mileage. The question thus raised comes to be of considerable importance to Michigan in view of the location of certain of its lines both in the upper and lower peninsula.

It is therefore respectfully submitted that, should the plan of ad valorem taxation of railway property be substituted for the present plan of specific taxation, a new rule for computing the gross earnings of those portions of interstate railways which lie in Michigan should be substituted for the one now in force.

With regard to operating expenses, no legislative rule exists. None is needed under the scheme of specific taxation. Under a scheme of ad valorem taxation, however, intangible values being included in the appraisal of railway property, it would be necessary for the legislature to lay down a rule for the localization of operating expenses. In the case of the present report the rule adopted was to assign operating expenses on the basis of train mileage. This rule is generally accepted as the most satisfactory of the simple rules for the localization of operating expenses. Possibly a better rule might be devised. The matter is referred to in this connection to make clear what is necessarily involved in the ad valorem taxation of interstate property.

Fifth. Another point of theoretic interest, should the legislature decide to adopt the ad valorem system of taxing railways, pertains to the question of permanent improvements. It is evident if the amounts expended by railways for improvements be included in operating expenses, or if by any other means they be made a charge [fol. 650] against current income, that the surplus which remains for capitalization will be thereby decreased and that the valuation of the non-physical elements will be correspondingly reduced. The rule for charging permanent improvements, therefore, comes to be a matter of considerable importance.

American railway accounting provides three ways of disposing of expenditures incurred in the betterment of property. These expenditures may be included in operating expenses; they may be charged directly against the net income; they may be charged against the capital account. The accounts of the railways of Michigan present no uniformity in the matter of permanent improvements. In general the railroads which come under the influence of the English principle of accounting, exclude expenditures for improvements from operating expenses. The Michigan Central Railway, on the other hand (and the practice of this company is followed by the majority of Michigan roads) charges every improvement possible to operating expenses, thus increasing the ratio of operating expenses to gross income and consequently decreasing the net income from operation. The Michigan Central ratio of operating expenses to gross earnings is 72.99 per cent; the corresponding ratio for the Chesapeake and Ohio is 60.76 per cent; for the Chicago, Burlington & Quincy it is 61.54 per cent; for the Chicago, Rock Island and Pacific it is 63.56 per cent. The statistics of Railways in the United States, as compiled by the Interstate Commerce Commission, are classified by ten territorial groups. The group in which the southern peninsula of Michigan lies is Group III while the group in which the railways of the northern peninsula lie is Group VI. The average ratio of operating expenses to gross income for the railways of the United States is 65.24 per cent; the corresponding per cent for Group III is 70.52; and for Group VI is 61.18 per cent. A careful study of this ratio of operating expenses to gross earnings of leading railways in different parts of the country shows that with the exception of the Grand Rapids and Indiana, and a few minor railways, the operating expenses of the railways which lie in

the southern peninsula of Michigan are abnormally high as compared with their gross earnings. This does not mean that their management disregards the economies of operation, or that, on account of their situation, they are exposed to unusual expenditures, it is explained, for some of the lines at least, by the fact already referred to, that they charge permanent improvements to operating expenses.

It is of course evident that the appraisal of intangible values submitted by this report is very decidedly influenced by the manner in which permanent improvements are charged. It must also be evident that should the legislature deem it wise to tax railways on the basis of valuation, a law making provision for such a scheme of taxation must prescribe a method for charging permanent improvement to be followed by all railways. For it is clear that diversity of practice in this regard will result in unequal taxation as between the railways, to say nothing of the reduction of the basis of taxation in the case of those railways which charge all improvements to operating expenses. In making this statement I would not be understood as criticising the practice of charging permanent improvements to operating expenses. There is much to be said from the public point of view, as well as from the point of view of sound corporate financing, in favor of the conservative application of this principle. My point is that it is essential to the equitable administration of the system of ad valorem taxation when applied to railway corporations, that all corporations should be obliged to follow a uniform rule of accounting in the matter of permanent improvements.

[fol. 651] Michigan Appraisal of Physical Property

In order to show whether any duplications are produced in the application of the Michigan method of appraisal of non-physical elements to the situation presented in this proceeding involving the valuation made by the Interstate Commerce Commission, it will be necessary to consider the Michigan appraisal of the physical property of the railroad.

We here reproduce a description of the Michigan appraisal of physical property made at the same time as the appraisal of the non-physical property by Henry C. Adams. The statement is made by Prof. Mortimer E. Cooley who was in charge of the work for the State of Michigan.

By an act of the legislature of 1899 a section was added to the general tax law of Michigan requiring the board of state tax commissioners—

6. To inquire into and ascertain the value of the properties of corporations paying specific taxes under any of the laws of this state, and to ascertain the actual rate of taxation, as based upon the valuation of said properties, that is being paid by said corporations, and to this end said board shall require reports from and make investigations as to the properties of such corporations in the same manner and to the same extent as if said corporations were paying taxes under this act.

9. To further report to the legislature, at the beginning of the regular sessions, especially, the true valuation of the properties of corporations paying specific taxes, and the rate of taxation actually paid on said valuation and the true valuation of all other properties of the state, and the rate of taxation the same are paying, to the end that the legislature shall have the information necessary to rearrange the rate of system of taxation on said properties, so that all taxable properties of the state may be taxed uniformly.

In pursuance of this act the board undertook the valuation of the properties of railroads, telegraphs, telephones, plank roads, river improvements, express and private car lines, beginning on the railroads September 1, 1900.

A careful consideration of the different methods of appraising corporate properties led to the selection of the plan of finding, first, the cost of reproduction, rebuilding, or reacquiring the several elements entering into and constituting the property as a whole, assuming the location and the conditions governing such cost as they exist today; and, second, to affect such of the elements as can wear and depreciate with use by percentage factors representing the present condition as found by actual inspection in the field, the value of new element being considered 100 per cent. The first of the values will be referred to as the "cost of reproduction" the second as the "present value," in both cases of the physical properties only.

[fol. 652] Viewed from the engineer's standpoint the advantage of this plan will be speedily recognized. Aside from the financing, the building of a railroad is largely an engineer's problem. The natural and simple course was, therefore, to proceed in the same manner as if a new road were projected in the exact location of the present road and compute the cost of building and equipping this road to the extent already existing, everything being new, and then fix other values representing the actual or present condition of those elements subject to change with time. In other words, the first part of the work has been done in the same manner as would be required by the railroads themselves if projecting new work.

Another potent reason justifying the plan selected, as afterwards developed, was the necessity of treating the problem strictly as an engineering problem in order to obtain uniform results. It was necessary to employ a large number of engineers expert in railroad work, and while they could agree as engineers they could not agree as experts on taxation. It very soon became necessary to publish an order excluding all thought of taxation in connection with the results to be obtained. The commissioners required of us only the cost of reproduction and the present value of a road, reserving to themselves any adjustments of these values that might be thought necessary to secure uniformity of taxation.

The plan of organization of the work was as follows: Experienced men were selected to act as chief inspectors in charge of the more important divisions of the work. To these men fell the task of directing operations in the field and in the office. They were in constant touch with all men serving in their respective divisions. The

railroad appraisal embraced the two divisions of civil and mechanical engineering.

Suitable blank forms having been prepared, a force of men was detailed to secure from the records on file in the engineers' offices all available data relating to surveys, right of way and station grounds, real estate, grading, tunnels, bridges, trestles, and culverts, rails, fencing, station buildings and fixtures, shops, roundhouses and turntables, water and fuel stations, grain elevators, warehouses, docks and wharves, and miscellaneous structures. This information, properly entered upon the blank forms, was put into the hands of experienced railroad engineers, who proceeded over the road by means of hand cars or on foot and made a personal inspection of all the separate items, adding to and perfecting the records as might be found necessary. At the same time the condition of the ties, rails, track fastenings, frogs, switches and crossings, ballast, track laying and surfacing, fencing crossings, cattle guards and signs, interlocking and signal apparatus was noted, a complete record of all observations being made in a field book provided for the purpose. The data obtained in the office and in the field correspond to that which would have been obtained by actual surveys.

After the field inspection, all data and information thus far obtained *was* turned into the computing office, where separate items were worked up and the costs of these items new and their present values obtained. To expedite the work and insure more uniform [fol. 653] results, a set of tables was compiled, showing unit price for all the different elements. By this means it was possible, having carried the work to a certain point, to pick from the tables the price needed, thus obtaining directly the cost of the different quantities. The utility of these tables can not be too highly emphasized, and the work required in their preparation saved many weeks of time and made it possible to use less experienced men in the computing office.

The results obtained in the computing office were then sent to the compiling office, where they were carefully arranged under their respective headings, the final record being complete inventory of practically everything found belonging to the railroad. For convenience, and in order that the results might be more clearly understood, they were compiled in accordance with the "Classification of construction accounts" prescribed by the Interstate Commerce Commission. A few additional items were found necessary, making in all thirty-seven different accounts, as follows: 1. Engineering; 2. Right of way and station grounds; 3. Real Estate; 4. Grading; 5. Tunnels; 6. Bridges, trestles and culverts; 7. Ties (cross and switch ties); 8. Rails; 9. Track fastenings; 10. Frogs, switches and crossings; 11. Ballast; 12. Track laying and surfacing; 13. Fencing; 14. Crossings, cattle guards and signs; 15. Interlocking and signal apparatus; 16. Telegraph; 17. Station buildings and fixtures; 18. Shops, roundhouses and turntables; 19. Shop machinery and tools; 20. Water stations; 21. Fuel stations; 22. Grain elevators; 23. Warehouses; 24. Docks and wharves; 25. Miscellaneous structures; 26. Locomotives; 27. Passenger equipment; 28. Freight equipment; 29. Miscellaneous equipment; 30. Telephones; 31. Ferries and steamships; 32. Electric

plants; 33. Terminals; 34. Legal expenses; 35. Interest; 36. Miscellaneous expenses; 37. Stores and Supplies.

Under the head of mechanical engineering a careful inventory and inspection was made of all shop machinery and tools, locomotives, passenger, freight and miscellaneous equipment, and of stores and supplies. This work was very thoroughly done and included the inspection of practically every locomotive and passenger car belonging to Michigan roads. About 33,000 freight cars were inspected, and of these nearly 15,000 belonged to Michigan roads, the others being foreign cars and private-line cars. An important question arose in the division of rolling stock belonging to interstate roads. Should it be divided in proportion to the main track mileage, the total track mileage, the car mileage, or the gross earnings? A careful consideration of the several plans led finally to the selection of car mileage as the most suitable basis for the division of passenger and freight equipment and of locomotive mileage for the locomotive department. Where it was impossible to obtain the car or locomotive mileage data, main track mileage was used as the basis for division. In those cases where a single arm or division of a large system projected into the state, the problem was confined to this arm or division.

The telegraph and telephone lines belonging to the railroads also proved to be a difficult problem, as it was necessary to separate the lines used exclusively by the railroads from those belonging to the telegraph companies, and to still further separate those owned jointly. Every mile of telegraph was inspected, and the condition of the poles, wires and instruments determined by frequent examination. [fol. 654] Perhaps no part of the work involved so much discussion as the matter of right of way, station grounds, and real estate. It is well known that railroad right of way costs considerably more than the value of the land for other purposes. The question at issue was whether the railroad should be charged for what the right of way actually cost or for what it was worth for other purposes before it was purchased. There could be no question, it would seem, that the first cost or cost of reproduction should include the actual price paid for the right of way. Certainly this is one of the elements for which money must be raised, the same as engineering, legal expenses, interest and discount, and miscellaneous expenses, including the expenses of organization and contingencies. Theoretically, at least, the cost or reproduction may be considered to represent the value of a legitimate bond issue, and to such extent the value of a railroad.

The question whether the increased cost of right of way over and above the value as determined by contiguous property may properly be included in the present value of a railroad, is a matter about which there may be difference of opinion. The true cash value of a thing has been defined as the price upon which a purchaser and a seller mutually agree, and at which an actual transfer takes place. If an attempt were made to purchase an existing right of way, as, for example, an entrance into a city, if the owner were willing to sell at all he surely would take into consideration what it would cost the purchaser to get into the city by any other route, and the prospective

purchaser would surely consider what it would cost him by another route.

The conclusion finally reached was to add to the value of the right of way, as determined by contiguous property, an amount fairly representing the additional actual cost to the railroad. A very careful examination was made of the records on file at county seats and elsewhere, showing the transfer of a large number of pieces of property, both to railroads and to other purchasers. As a result of this examination throughout the state, it was found that the actual price paid by the railroad was from 100 to 125 per cent in excess of the value as determined by adjacent property.

Special inspectors, experts in land values, were assigned to the task of determining the value of the lands through which the railroads run, and for this work the commissioners are greatly indebted to a large number of citizens who very courteously entered upon the task of filling out the blanks requesting information as to the value of properties in their respective localities. The reports from these gentlemen were so complete as to leave no doubt as to the thoroughness of their investigation. Having in this way determined the value of the different kinds of land, it becomes necessary to determine the amounts of each kind belonging to the several roads. In this much assistance was received from the local engineers, who, on account of their familiarity with their runs, were able to give, with considerable accuracy, the extent of the lands of different grades on their respective lines.

In order that there might be no question as to the suitability of the methods employed, a board of review was appointed, consisting of Mr. Octave Chanute and Maj. G. W. Vaughn, of Chicago; Mr. Charles Hansel, of New York; and Prof. Charles E. Greene, of Ann Arbor. All of these gentlemen are members of the American Society of Civil Engineers, Mr. Chanute being a past president of the Society. With years of experience to ripen their judgment and with minds free from all details, they were asked to consider the different questions arising in the work about which there might be doubt, and to formulate rules for procedure in those cases admitting of a variety of opinions, as, for example, the division of rolling stock on interstate roads, the value of a right of way, the percentages to be added for the items of engineering, legal expenses, interest and discount, organizations and contingencies, and many others.

The actual work of field inspection of railroads was begun about September 15 and finished December 15. Complete results were obtained for all the roads in Michigan and submitted to the board of state tax commissioners the last of January, 1901. These results were completely rechecked and very elaborately compiled in several large volumes, the final work being completed May 1. It is proper to add in this connection that the cordial assistance of the railroads themselves aided greatly in expediting the work.

The following summary shows the results obtained for all the incorporated railroads of Michigan:

Mileage

7,082.35
164.83
730.92
2,904.70

Main track
Second track
Branches
Spurs and sidings

Value of physical properties

	Cost of reproduction	Present value	Percent of new
1. Engineering, 4 percent, items 2 to 25, inclusive, and 33.	\$65,386,772	\$65,386,772	100.0
2. Right of way and station grounds.	27,745,313	27,745,313	100.0
3. Real estate	863,337	863,337	100.0
4. Grading	21,633,024	21,633,024	100.0
5. Tunnels	1,148,070	1,093,445	95.4
6. Bridges, trestles, and culverts.	8,027,119	6,337,819	78.8
7. Ties (cross & switch ties).	11,139,024	6,148,748	55.9
8. Rails	28,703,012	21,865,994	76.1
9. Track fastenings	3,845,030	2,987,982	77.8
10. Frogs, switches and crossings	1,469,781	1,040,120	71.0
11. Ballast	3,723,578	3,723,578	100.0
12. Track laying and surfacing.	6,555,638	6,400,972	97.5
13. Fencing	2,763,595	1,627,790	58.8
14. Crossings, cattle guards & signs.	607,542	428,474	70.4
15. Interlocking & signal apparatus	501,883	448,686	89.3
16. Telegraph (30) telephones	258,985	134,797	52.0
17. Station buildings & fixtures	4,108,736	3,111,103	75.8
18. Shops, roundhouses & turntables	2,157,228	1,467,569	68.2
19. Shop, machinery and tools	1,107,910	882,634	79.7

[fol. 656] *Summary of All Railroads—Continued*

	Value of physical properties		
	Cost of reproduction	Present value	Per cent of new
20. Water stations	725,670	522,135	72.0
21. Fuel stations	303,289	201,461	66.2
22. Grain elevators	1,336,794	1,069,043	79.0
23. Warehouses	258,646	183,910	71.3
24. Docks & wharves	5,531,919	3,831,934	69.4
25. Miscellaneous structures	1,234,345	856,253	69.4
26. Locomotives	9,021,517	5,092,053	56.4
27. Passenger equipment	3,197,473	2,277,271	71.2
28. Freight equipment	19,734,246	13,690,587	69.4
29. Miscellaneous equipment	702,740	499,539	70.3
31. Ferries and steamships	1,725,300	1,095,500	63.5
32. Electric plants	93,007	89,898	96.8
33. Terminals	673,349	673,349	100.0
34. Legal expenses, 0.5 per cent, items 2 to 25 inclusive and 33	5,290,549	5,290,549	100.0
35. Interest 3 per cent, items 1 to 34, inclusive			
36. Miscellaneous expenses:			
Organization, 1.5 per cent	2,645,277	2,645,277	100.0
Contingencies, 10 per cent	18,428,739	15,127,110	82.3
Total cost of construction at equipment	\$202,716,262	\$166,398,156	81.4
Value of non-physical properties		35,814,043	....
Total value of physical and non-physical properties		\$202,212,199	....
37. Stores and supplies	1,474,829	1,474,829	82.2

[fol. 657] Yields on Tax Exempt Securities

1921 is probably one of the most extreme years so far as yields are concerned during the present generation. The following illustrates the yields on tax exempt Government Securities.

Liberty Loan First 3½'s, 1932-47

These bonds were exempt from all taxes except State and Inheritance taxes. The high and low prices for the year 1921 were 96.46 and 86.00 respectively. The prices averaged 90.00 or above during six months of the year. The mean price being for the year 91.23. Assuming these bonds are permitted to be outstanding half of the fixed life of the same, their life would be 18 years, at which the yield would be 4.2%.

U. S. 4's, Due in 1925

These bonds are exempt from all taxation including Income and Excess Profits taxes. The prices on this series in 1921 ranged from 102.50 to 104.50, showing a mean of 103.50. These bonds sold at a yield of 3.05.

Panama Canal 3's, Due in 1961

These bonds, with 40 years to run, are exempt from all taxation including Income and Excess Profits taxes. The prices on these bonds range from 75.00 to 83.00, showing a mean price of 79.00 or a yield of 4.05.

Panama Canal 2's, Due in 1936

These bonds sold at par. The extreme low price of that particular year is evidenced by the present prices on the same securities. Government Bonds U. S. 4's due in 1925 are today selling above par producing a yield less than 4%. Panama Canal 3's due in 1961, are selling at approximately 92.00, producing a yield of 3½%. Panama Canal 2's due in 1936 are selling at par.

1921 Not Normal as to Yields on Securities

The financial situation in 1921 and the bulk of 1920 was very bad, producing extraordinary high yields. There was a larger volume of business failures in 1920 than in any other year in our history, even exceeding the panic years of 1907 and 1893. In 1920 the total liabilities involved in business failures were greater than during any other year in our history. In 1921 they were almost twice as great as they were in 1920. The details are shown in the following table.

*Failures and Liabilities in Business in the United States Yearly
Since 1890*

Year	No. failures	Total liabilities
1921.....	19,982	\$750,200,000
1920.....	8,463	426,300,000
1919.....	5,515	115,500,000
1918.....	9,331	137,900,000
1917.....	13,029	166,600,000
1916.....	16,496	175,200,000
1915.....	19,035	284,100,000
[fol. 658]		
1914.....	16,769	357,100,000
1913.....	14,551	292,300,000
1912.....	13,812	198,900,000
1911.....	12,646	188,100,000
1910.....	11,573	188,700,000
1909.....	11,845	140,700,000
1908.....	14,044	295,900,000
1907.....	10,265	385,700,000
1906.....	9,385	127,200,000
1905.....	9,967	121,800,000
1904.....	10,417	143,600,000
1903.....	9,775	154,300,000
1902.....	9,973	105,500,000
1901.....	10,648	130,100,000
1900.....	9,912	127,200,000
1899.....	9,642	119,800,000
1898.....	11,615	141,600,000
1897.....	13,083	158,700,000
1896.....	15,094	246,900,000
1895.....	12,958	158,700,000
1894.....	12,724	151,500,000
1893.....	15,508	382,100,000
1892.....	10,270	108,600,000
1891.....	12,394	193,100,000
1890.....	10,673	175,000,000

(Bradstreet's Business Year Number, Jan. 7, 1922.)

Dun's Review carries these figures back to 1866.

The railroad situation presents quite a different picture in 1921. There were fewer miles of railroad in the hands of receivers than during any year since 1912. The details are as follows:

Years ended—	Miles of road operated by receivers at close of year
June 30, 1894.....	40,818.81
1895.....	37,855.80
1896.....	30,475.39
1897.....	18,861.68
1898.....	12,744.95
1899.....	9,853.13
1900.....	4,177.91
1901.....	2,497.14
1902.....	1,475.32
1903.....	1,185.45
1904.....	1,323.28
1905.....	795.82
1906.....	3,971.43
1907.....	3,926.31
1908.....	9,529.03
1909.....	10,529.80
1910.....	5,257.03
1911.....	4,592.89
1912.....	9,785.83
1913.....	16,286.18
1914.....	18,608.21
1915.....	30,223.05
1916.....	37,353.45
Dec. 31, 1916.....	34,803.59
1917.....	17,375.51
1918.....	19,207.58
1920.....	(a) 17,697.00
1921.....	(a) 14,502.00

[fol. 659] Dun's Review for February, 1922, states:

"Aside from last September, the number of insolvencies has increased steadily since last June, which was the low point of 1921, and a decided expansion in the indebtedness has not unnaturally accompanied the rise in the number of failures. The January liabilities of \$75,795,780, however, are appreciably smaller than those of December, when the previous monthly records were surpassed by \$87,502,382."

*Decrease.

Further concerning the past year of financial wreckage, Bradstreet in its review of the year published January 7, 1922, states the following:

"Price deflation, which hung many business concerns up with stocks of high priced goods; unemployment, which translated the voluntary buyers' strike into forced abstention from all but necessity purchasing; short crops of farm produce, sold in many cases at the lowest prices in a decade, and high money or stringent credit throughout most of the year, were some of the things which made hard voyages for the wholesaler, jobber, manufacturer or retailer in 1921 and covered the seas of business with the wrecks of many one-time promising ventures. Hence, it was that all monthly and yearly records of number of failures were broken and a year's total of liabilities rolled up which has no parallel in Bradstreet's records of business failure. To specify, December, 1921 nearly two years after the beginning of the end of the post-war boom, reported the largest monthly total of failures on record, slightly exceeding that set up in January, 1915, after the outbreak of the Great War. The year's total of failures, 19,982, exceeded by 947 failures, or nearly 5 per cent, the hitherto record calendar year 1915, and even slightly exceeded the 19,948 failures reported in the first twelve months following the beginning of the big war. The liabilities for 1921, \$750,202,221, exceeded by 75 per cent, the hitherto record total set up in 1920, \$426,300,000; were over double the big totals of 1914, \$357,000,000; and nearly double the totals \$383,700,000 and \$382,000,000, respectively, reported in those years of stress, 1907 and 1893, the dates of the so-called Roosevelt and Cleveland panics."

Authority: Bradstreet's Business Year Number January 7, 1922.

The situation in 1920 and 1921 is further illustrated by the prices on British Consols. The prices during those two years reached the lowest level of the past century. In other words, the financial situation was not confined to railroads nor to the United States; but it was world wide in character. Showing the situation we here reproduce the high and low prices on British Consols since 1814. At this moment we cannot supply the quotations for two years.

1921.....	44 ⁵ / ₈	50 ³ / ₄
1920.....	43 ⁵ / ₈	52
1919.....	49 ⁷ / ₈	60
1918.....	53 ¹ / ₂	63 ¹ / ₄
1917.....	51	56 ³ / ₈
1914.....	77 11/16	68 ¹ / ₂
1913.....	75 ⁵ / ₈	71 1/16
1912.....	79 ¹ / ₂	72 ⁵ / ₈
1911.....	82 ¹ / ₈	76 ³ / ₈
1910.....	83 ¹ / ₂	78 ³ / ₈
1909.....	86	82 1/15
1908.....	88 ³ / ₈	83 5/16

[fol. 660]

1907.....	87 $\frac{3}{8}$	83 9/16
1906.....	91	85 9/16
1905.....	91 13/16	87 $\frac{1}{2}$
1904.....	91 $\frac{1}{4}$	85
1903.....	93 $\frac{5}{8}$	89 $\frac{7}{8}$
1902.....	97 $\frac{7}{8}$	92 $\frac{1}{8}$
1901.....	97 $\frac{7}{8}$	91
1900.....	103 $\frac{1}{4}$	96 $\frac{3}{4}$
1899.....	111 $\frac{1}{2}$	97 $\frac{3}{4}$
1898.....	113 $\frac{3}{8}$	106 $\frac{3}{4}$
1897.....	113 $\frac{3}{8}$	110 $\frac{5}{8}$
1896.....	113 $\frac{7}{8}$	105 1/9
1895.....	108 $\frac{1}{8}$	103 $\frac{1}{4}$
1894.....	102 $\frac{1}{8}$	97 $\frac{1}{8}$
1893.....	98 $\frac{1}{4}$	95 $\frac{7}{8}$
1892.....	96 $\frac{7}{8}$	93 $\frac{1}{4}$
1891.....	97 $\frac{1}{2}$	94 $\frac{3}{8}$
1890.....	98 $\frac{3}{4}$	93 $\frac{3}{8}$
1889.....	99 $\frac{1}{4}$	96 $\frac{1}{2}$
1888.....	103 $\frac{3}{8}$	98 $\frac{1}{8}$
1887.....	103 $\frac{3}{4}$	99 $\frac{7}{8}$
1886.....	102 $\frac{3}{8}$	99 $\frac{3}{8}$
1885.....	101 $\frac{1}{2}$	99 $\frac{3}{8}$
1884.....	102 $\frac{3}{4}$	98 $\frac{7}{8}$
1883.....	102 $\frac{3}{4}$	99 $\frac{3}{8}$
1882.....	102 $\frac{1}{2}$	99
1881.....	103	98 $\frac{1}{4}$
1880.....	100 $\frac{3}{4}$	97 $\frac{3}{8}$
1879.....	99 $\frac{5}{8}$	94 $\frac{7}{8}$
1878.....	98	93 $\frac{5}{8}$
1877.....	97 $\frac{3}{8}$	93
1876.....	97 $\frac{1}{2}$	93 $\frac{3}{8}$
1875.....	95 $\frac{3}{4}$	91 $\frac{7}{8}$
1874.....	93 $\frac{5}{8}$	91 $\frac{3}{4}$
1873.....	94	91 $\frac{3}{4}$
1872.....	93 $\frac{3}{4}$	91 $\frac{3}{4}$
1871.....	94	91 $\frac{3}{8}$
1870.....	94 $\frac{5}{8}$	88 $\frac{1}{2}$
1869.....	94 $\frac{1}{4}$	91 $\frac{1}{4}$
1868.....	96 $\frac{1}{8}$	91 $\frac{3}{4}$
1867.....	96 $\frac{3}{8}$	89 $\frac{7}{8}$
1866.....	90 $\frac{1}{2}$	84 $\frac{5}{8}$
1865.....	90 $\frac{1}{2}$	86 $\frac{3}{8}$
1864.....	92	87 $\frac{1}{8}$

1863.....	94	90
1862.....	94 $\frac{3}{4}$	91 $\frac{1}{2}$
1861.....	94 $\frac{1}{4}$	89 $\frac{1}{8}$
1860.....	95 $\frac{7}{8}$	92 $\frac{1}{4}$
1859.....	97 $\frac{3}{8}$	88 $\frac{1}{4}$
1858.....	98 $\frac{7}{8}$	91 $\frac{1}{8}$
1857.....	94 $\frac{1}{4}$	86 $\frac{1}{2}$
1856.....	95 $\frac{7}{8}$	85 $\frac{3}{4}$
1855.....	93 $\frac{3}{4}$	86 $\frac{1}{4}$
1854.....	95 $\frac{7}{8}$	85 $\frac{1}{8}$
[fol. 661]		
1853.....	101	90 $\frac{3}{4}$
1852.....	102	95 $\frac{7}{8}$
1851.....	99 $\frac{1}{8}$	95 $\frac{5}{8}$
1850.....	98 $\frac{3}{8}$	94 $\frac{3}{8}$
1849.....	98 $\frac{7}{8}$	86 $\frac{5}{8}$
1848.....	90	80
1847.....	94	78 $\frac{3}{4}$
1846.....	97 $\frac{3}{4}$	93 $\frac{1}{4}$
1845.....	100 $\frac{5}{8}$	91 $\frac{7}{8}$
1844.....	101 $\frac{3}{8}$	96 $\frac{1}{2}$
1843.....	97 $\frac{3}{8}$	92 $\frac{1}{8}$
1842.....	95 $\frac{1}{8}$	88
1841.....	90 $\frac{1}{8}$	87 $\frac{1}{4}$
1840.....	93 $\frac{1}{8}$	85 $\frac{1}{4}$
1839.....	93 $\frac{7}{8}$	89 $\frac{1}{4}$
1838.....	95 $\frac{1}{4}$	90 $\frac{5}{8}$
1837.....	93 $\frac{7}{8}$	87 $\frac{7}{8}$
1836.....	92 $\frac{1}{4}$	86 $\frac{5}{8}$
1835.....	92 $\frac{7}{8}$	89 $\frac{1}{4}$
1834.....	93	87 $\frac{1}{2}$
1833.....	91 $\frac{1}{4}$	84 $\frac{1}{4}$
1832.....	85 $\frac{3}{4}$	81 $\frac{5}{8}$
1831.....	94 $\frac{1}{4}$	74 $\frac{1}{8}$
1830.....	94 $\frac{1}{4}$	77 $\frac{1}{2}$
1829.....	94 $\frac{1}{4}$	85 $\frac{5}{8}$
1828.....	88 $\frac{3}{8}$	80 $\frac{1}{8}$
1827.....	89 $\frac{1}{2}$	76 $\frac{3}{4}$
1826.....	84 $\frac{1}{2}$	73 $\frac{7}{8}$
1825.....	94 $\frac{1}{4}$	75
1824.....	96 $\frac{7}{8}$	93 $\frac{3}{4}$

Tax-Exempt Securities

Actual Yields of Municipal Bonds of Ten Representative Cities

Description of bond	Date of maturity	Rate	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911
New York, N. Y., Dock	1927	3½	3.0	3.1	3.2	3.3	3.4	3.5	3.8	4.2	4.1	4.0	4.2	4.1
Philadelphia, Water	1931	3½	2.9	3.1	3.1	3.2	3.4	3.4	3.4	3.7	3.8	3.7	3.9	3.9
Cleveland, Park	1931	4	3.2	3.2	3.4	3.7	3.7	3.6	3.7	4.0	4.0	3.8	3.9	3.9
Baltimore, Md., Consolidated	1930	3½	2.9	2.9	2.9	2.9	3.0	3.1	3.3	3.7	3.7	3.5	3.9	4.0
Detroit, Mich., Public Imp.	1930	3½	3.1	3.1	3.2	3.4	3.2	3.1	3.2	3.5	3.5	3.3	3.6	3.8
Buffalo, N. Y., Park	1924-25	7	3.1	3.2	3.2	3.4	3.4	3.4	3.5	3.8	4.0	3.8	4.0	4.0
“	1924	6	3.1	3.2	3.2	3.4	3.4	3.4	3.5	3.8	4.0	3.8	4.0	4.0
“	1927	3½	3.1	3.1	3.2	3.4	3.4	3.4	3.5	3.8	4.0	3.8	4.0	4.0
Cincinnati, O., Construction	1937	3.65	3.2	3.2	3.2	3.4	3.5	3.4	3.6	3.8	3.7	3.8	3.9	3.9
New Orleans, La., Constitutional.	1942	4	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.9	3.9	3.8	4.0	4.0
Minneapolis, Minn., School	1927	4	3.2	3.2	3.3	3.5	3.5	3.5	3.7	4.0	3.9	3.8	4.0	4.1
“	1929	3½	3.2	3.2	3.3	3.5	3.5	3.5	3.7	4.0	3.9	3.8	4.0	4.1
Boston, Mass., Street	1936	4	3.1	3.1	3.2	3.4	3.4	3.4	3.6	3.9	3.8	3.8	4.0	3.9
Average Yields			3.13	3.17	3.23	3.39	3.42	3.41	3.55	3.85	3.87	3.75	3.95	3.98

Authority: Financial Review of the Commercial and Financial Chronicle and their Bank and Quotation issue of May 8th, 1920.

Tax-Exempt Securities

Actual Yields of Municipal Bonds of Ten Representative Cities

00	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	Average 1900-1914	April, 1920	November, 1921
.0	3.1	3.2	3.3	3.4	3.5	3.8	4.2	4.1	4.0	4.2	4.1	4.2	4.4	4.2	3.78	4.85	4.80
.9	3.1	3.1	3.2	3.4	3.4	3.4	3.7	3.8	3.7	3.9	3.9	4.0	4.2	4.0	3.58	4.60	....
.2	3.2	3.4	3.7	3.7	3.6	3.7	4.0	4.0	3.8	3.9	3.9	3.9	4.0	3.8	3.72	4.60	5.00
.9	2.9	2.9	2.9	3.0	3.1	3.3	3.7	3.7	3.5	3.9	4.0	4.0	4.2	4.2	3.48	4.40	....
.1	3.1	3.2	3.4	3.3	3.1	3.2	3.5	3.5	3.3	3.6	3.8	4.0	4.1	4.1	3.49	5.00	....
.1	3.2	3.2	3.4	3.4	3.4	3.5	3.8	4.0	3.8	4.0	4.0	4.1	4.3	4.2	3.69	4.70	4.80
.1	3.2	3.2	3.4	3.4	3.4	3.5	3.8	4.0	3.8	4.0	4.0	4.1	4.3	4.2	3.69	4.70	4.80
.1	3.1	3.2	3.4	3.4	3.4	3.5	3.8	4.0	3.8	4.0	4.0	4.1	4.3	4.1	3.68	4.70	4.80
.2	3.2	3.2	3.4	3.5	3.4	3.6	3.8	3.7	3.8	3.9	3.9	3.8	3.9	3.8	3.61	4.60	....
.6	3.6	3.6	3.6	3.6	3.6	3.7	3.9	3.9	3.8	4.0	4.0	4.1	4.4	4.3	3.85	4.90	4.95
.2	3.2	3.3	3.5	3.5	3.5	3.7	4.0	3.9	3.8	4.0	4.1	4.1	4.3	4.2	3.75	5.30	4.90
.2	3.2	3.3	3.5	3.5	3.5	3.7	4.0	3.9	3.8	4.0	4.1	4.1	4.3	4.2	3.75	5.30	4.80
.1	3.1	3.2	3.4	3.4	3.4	3.6	3.9	3.8	3.8	4.0	3.9	3.9	4.2	4.1	3.65	5.10	....
.13	3.17	3.23	3.39	3.42	3.41	3.55	3.85	3.87	3.75	3.95	3.98	4.03	4.22	4.11	3.67	4.84	4.86

nd Financial Chronicle and their Bank and Quotation issue of May 8th, 1920.

1823.....	85 $\frac{3}{4}$	72
1822.....	83	75 $\frac{3}{8}$
1821.....	78 $\frac{3}{4}$	68 $\frac{3}{4}$
1820.....	70 $\frac{1}{4}$	65 $\frac{3}{8}$
1819.....	79	64 $\frac{7}{8}$
1818.....	82	73
1817.....	84 $\frac{1}{4}$	62
1816.....	64 $\frac{3}{8}$	59 $\frac{1}{2}$
1815.....	65 $\frac{3}{4}$	53 $\frac{7}{8}$
1814.....	72 $\frac{1}{8}$	61 $\frac{1}{2}$

The lowest quotation during the nineteenth century was 50 $\frac{1}{4}$, in 1803 and the lowest price at which consols have ever sold was 47 $\frac{1}{2}$, in 1798, during the French War.

Authority: Bradstreet's Journal, January 17, 1914, p. 40, for 1814-1913 figures—High and low price for 1914 was taken from the London Financial Review of Reviews for Dec. 1914.

The following table presents the yields on municipal securities. This illustrates the normal yield of a tax exempt security and the abnormal character of 1920 and 1921.

(Here follows table marked side folio page 662.)

[fol. 663] For the foregoing reasons we do not believe it fair to take prices or yields on bonds for either 1920 or 1921 as being a normal yield on tax exempt securities. The prices were extraordinarily low and yields exceptionally high on practically all securities during these years. They do not represent the normal situation during the past ten years, or during the past twenty years, or any other representative period.

[fol. 661]

EXHIBIT 9 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Statement Showing Value of Non-physical Elements of the Above-named Road, Whose Physical Elements Were, on December 31, 1921, Appraised at \$362,349,271 (see Exhibit 4), Based on Annual Report of the C., R. I. & P. Ry. Co. for the Year Ending December 31, 1921, and the Appraisal of the Interstate Commerce Commission.

This statement uses the Michigan method adopting the figures for the year ending December 31, 1921. (According to Formula A.)

Items	Amounts for entire system	Per mile operated	Amounts apportioned to Iowa
Number of Miles Operated.....	7,661.69	.....	2,284.23
Gross income from operation.....	\$131,766,857	17,198.14	\$39,284,507.33
Operating Expenses, exclusive of taxes...	111,036,758	14,492.46	33,104,111.91
Net income from operation.....	20,730,099	2,705.68	6,180,395.42
Net income from investments.....	1,586,610	207.08	473,018.33
Total available corporate income..	22,316,709	2,912.76	6,653,413.75
Annuity deducted for capital at 4 per cent of the mean value of physical elements	14,493,971	1,891.74	4,321,169.26
Remainder available for other purposes.....	7,822,738	1,021.02	2,332,244.49

Further deductions:

1. Taxes on physical elements at 1 per cent of mean value.....
2. Rentals on property not covered by appraisal.....
3. Interest on current liabilities.....
4. Permanent improvements charged to income.....

Total further deductions.....

Surplus

[fol. 665.] Capitalization of surplus at 7 per cent, which results in a value of non-physical elements such that it yields a net income of 6 per cent after payment of a tax of 1 per cent.....

	Actual P. 17	Exh. A-1	Actual P. 17	Stated Fed. State*
5,531,644*	472.94		1,373,759	
3,623,492			Exh. F { 1,369,095	State*
9,565	1.25		2,855.28	
1,442,128	188.23		429,960.61	
.....	
5,975,185	.....		1,513,119.63	
2,747,553	.....		819,124.86	
1,914,738*	Income balance to P. & L. Actual			
\$39,250,757	\$5,122.98		\$11,701,783.00	

NOTE.—

(1) Authority: The Forty-Second Annual Report of the C. R. I. & P. Ry. Co.

(2) Using current liabilities but excluding interest and dividends.

(3) Authority: Annual report of the C. R. I. & P. Ry. Co. to the Board of Railroad Commissioners of Iowa for the year ending December 31, 1921.

This valuation for the physical elements was obtained by taking the total value for all property of this road, on December 31, 1921, as shown by the Forty-Second Annual Report of the Company, deducting non-carrier property, the physical property value including additions and betterments to December 31, 1921; the Morris Terminal and the increase in accrued depreciation for the years 1915 to 1921 inclusive. See exhibit 4.

[*In pencil in copy.]

The Chicago, Rock Island & Pacific Railway Company

Statement Showing Value of Non-physical Elements of the Above-named Road, Whose Physical Elements Were on December 31, 1921, Appraised at \$352,349.271 (see Exhibit 4), Based on Annual Report of the C. & R. I. & P. Ry. Co. and on the Physical Valuation by the Interstate Commerce Commission, Using the Michigan Method, Adopting Figures for the Years 1915-1921, Inclusive, Except for Minor Items, Where Mean Figures Are Used (According to Formula B).

	Amounts for entire system	Per mile operated	Amounts appor- tioned to Iowa
Number of miles operated.....	7,758		2,291
Net income from operation (Note 1).....	\$17,921,718	\$2,310.09	\$5,292,427
Net income from investments.....	1,311,566	169.06	387,316
Total available corporate income.....	19,233,284	2,479.15	5,679,743
Amount deducted for capital at 4% of the mean value of elements.....	13,692,537	1,764.95	4,043,516
(1921—\$362,349.27) (1915— 322,277.59)			
Remainder available for other purposes.....	5,540,747	714.19	1,636,227
Further deductions:			
1. Taxation physical elements at 1% of mean value.....	3,423,134	441.24	1,010,879
2. Rentals on property not covered by appraisal.....	6,870	.88	2,028
3. Interest on current liabilities.....	1,056,320	136.62	311,939
4. Permanent charged to income.....	.....	.....	.....
Total further deductions.....	4,486,324	578.28	1,324,847

Surplus	1,054,423	135.91	311,380
[fol. 667] Capitalization of surplus at 7 per cent, which results in a value of none-physical elements such that it yields a net income of 6 per cent after payment of a tax of 1 per cent			
	\$15,063,186	\$1,941.63	\$4,448.85

NOTE.—See Exhibit #1. Mr. Adams excluded tax from operating expenses. This conforms to item we have called net property income.
Authority: Valuation docket of I. C. C. #152.

Statistical reports of I. C. C.
Annual reports of the Board of Railroad Commissioners of the State of Iowa.
Annual report for 1921 of the C. R. I. & P. Ry. to its stockholders and to the Board of Railroad Commissioners of Iowa.

The Chicago, Rock Island & Pacific Railway Company

Statement Showing Value of Non-physical Elements of the Above-named Road, Whose Physical Elements Were, on December 31, 1921, Appraised at \$352,349,271 (See Exhibit 4), Based on Annual Report of the C. R. I. & P. Ry. Co. for the Year Ending December 31, 1921, and the Appraisal of the Interstate Commerce Commission.

This statement used the Michigan method adopting the figures for the year ending December 31, 1921. (According to Formula C.)

Items	Amounts for entire system	Per mile operated	Amounts apportioned to Iowa
Number of Miles Operated.....	7,661.69		2,284.23
Gross income from operation.....	\$431,766,857	\$17,198.14	\$39,284,507.33
Operating Expenses, exclusive of taxes.....	111,036,758	14,492.46	33,104,111.91
Net income from operation.....	29,730,099	2,705.68	6,180,395.42
Net income from investments.....	1,586,610	207.08	473,018.33
Total available corporate income.....	22,316,709	2,912.76	6,653,413.75
Annuity deducted for capital at 4 per cent of the mean value of physical elements.....	14,493,971	1,891.74	4,321,169.26
Remainder available for other purposes.....	7,822,738	1,021.02	2,332,244.49
Further deductions:			
1. Taxes on physical elements at 1 per cent of mean value.....	3,623,492	472.94	1,080,303.74
2. Rentals on property not covered by appraisal.....	9,965	1.25	2,855.28

Permanent improvements charged to income.

Total further deductions.....	3,633,057	.....	1,083,158.02
Surplus	4,189,681	358,61	1,249,086.47
[fol. 669] Capitalization of surplus at 7 per cent, which results in a value of non-physical elements such that it yields a net income of 6 per cent after payment of a tax of 1 per cent.....			\$59,852,585
			\$17,844,092

NOTE.—

(1) Authority: The Forty-second Annual Report of the C. R. I. & P. Ry. Co.

(2) Using current liabilities but excluding interest and dividends.

(3) Authority: Annual Report of the C. R. I. & P. Ry. Co. to the Board of Railroad Commissioners of Iowa

for the year ending December 31, 1921.

This valuation for the physical elements was obtained by taking the total value for all property of this road, on December 31, 1921, as shown by the Forty-second Annual Report of the Company, deducting non-carrier property, the physical property value including additions and betterments to December 31, 1921; the Morris Terminal and the increase in accrued depreciation for the years 1915 to 1921 inclusive. See Exhibit 4.

[fol. 670]

EXHIBIT 12 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Statement Showing Value of Non-physical Elements of the Above-named Road Whose Physical Elements Were on December 31, 1921, Appraised at \$352,349.271. (See Exhibit 4). Based on Annual Report of the C. R. I. & P. Ry. Co. and on the Physical Valuation by the Interstate Commerce Commission.

Using the Michigan method adopting figures for the years 1915-1921 inclusive, except for minor items where mean figures are used. (According to Formula D.)

	Amounts for entire system	Per mile operated	Amounts appor- tioned to Iowa
Number of miles operated.....	7,758		2,291
Net income from operation (Note 1).....	17,921,718	2,310.09	5,292,427
Net income from investments.....	1,311,566	169.06	387,316
Total available corporated income.....	19,233,284	2,479.15	5,679,743
Amount deducted for capital at 4% of the mean value of physical elements.....	13,692,537	1,764.95	4,043,516
(1921—\$362,349.27)			
(1915—322,277.59)			
Remainder available for other purposes.....	5,540,747	714.19	1,636,227

Further deductions:

1. Taxation physical elements at 1% of mean value.....	3,423,134	441.24	1,010,879
2. Rentals on property not covered by appraisal.....	6,870	.88	2,028

Total further deductions.....

Surplus	3,430,004	.....	1,012,907
	2,110,743	.....	623,320

[fol. 671] Capitalization of surplus at 7 per cent, which results in a value of non-physical elements such that it yields a net income of 6 per cent after payment of a tax of 1 per cent.....

\$30,153,471 \$8,904,771

NOTE.—

See exhibit #1. Mr. Adams excluded tax from operating expenses. This conforms to item we have called net property income.

Authority: Valuation docket of I. C. C. #152. Statistical report of the Board of Railroad Commissioners of the State of Iowa. Annual report for 1921 of the C. R. I. & P. Ry. to its stockholders and to the Board of Railroad Commissioners of Iowa.

[fol. 672] EXHIBIT 13 TO THORNE'S AFFIDAVIT

C., R. I. & P.

Appraisal of Property in Excess of Physical Value as Found by the Interstate Commerce Commission

For the System

Total physical property of C. R. I. & P. Ry. Co. (including C. R. I. & G. and Morris Terminal; also including materials and supplies but excluding non-carrier property) as of June 30, 1915, as determined tentatively by the Interstate Commerce Commission in Valuation Docket 152.....	\$335,538,263
Amounts claimed by C. R. I. & P. Ry. Co. in addition to physical property found by the Interstate Commerce Commission .....	.....
Value of organized business and development cost....	\$30,000,000
Working capital, including materials and supplies, \$21,000,000, less \$9,022,288 allowed by I. C. C.	11,977,712
Interest and taxes on land during construction.....	24,150,788
Total.....	\$66,128,500

These added allowances for the value of the organized business, development cost, working capital and interest and taxes on land during the construction period, aggregate approximately 20 per cent of the physical property as found by the Commission.

This includes no allowance for certain values of physical properties, claimed by the C. R. I. & P. Ry. Co., covered in another exhibit.

Authorities: I. C. C. Valuation Docket 152, p. 28. Protest of C. R. I. & P. Ry. Co. in Valuation Docket 152, pages 6, 10, 11, 110.

[fol. 673] *Valuation of C., R. I. & P. Ry. Property in Iowa in Excess of Physical Property Found by the Interstate Commerce Commission.*

For Iowa

Total physical property of C. R. I. & P. Ry. Co. (Excluding C. R. I. & G. and Morris Terminal) as found in the Tentative Valuation of the Interstate Commerce Commission in Valuation Docket 152 (p. 28)	\$322,277,596
The Commission allocated the major portion of this total among the states. If we distribute the unallocated in the same ratio as that which was specifically allocated to the State of Iowa (27.4%) the total value of the physical property of the C. R. I. & P. Ry. Co. in Iowa was on June 30, 1915.....	88,304,061

Valuation of C. R. I. & P. Ry. Property - Continued

The C. R. I. & P. Ry. Co. makes claims for additional values for organized business, development cost, working capital and interest, and taxes on land during construction period aggregating \$66,128,500, (for the system including C. R. I. & G. and Morris Terminal, having a combined physical value of \$355,538,263). (See Exhibit.) This is not distributed among the states by the said C. R. I. & P. Ry. Co. If we allocate this sum to Iowa in the same ratio (20%) to the physical property in Iowa, as the sum which the Rock Island claims for the system compares to the Physical value of the system as found by the Interstate Commerce Commission, the added value for these factors in Iowa is.....

17,660,812

This does not include the claims for the value of certain physical properties claimed by the C. R. I. & P. Ry. Co. covered by Exhibit —.

Authorities: Value of Physical Property—Valuation Docket 152 of the Interstate Commerce Commission, page 28.
Value of organized business, etc. Protest of C. R. I. & P. Ry. Co. in Valuation Docket 152 (at pages 6, 10, 11, 110).

[fol. 674] *Summary as to the Chicago, Rock Island Railway Company*

[fol. 675] EXHIBIT 14 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Total Value as Evidenced by Value of Physical Property According to the Investment in Road & Equipment (See Exhibit 2), Value of Organized Business, etc., According to Claim of the Chicago, Rock Island & Pacific Railway Company

Value of physical property according to the report as to Investment in Road and Equipment of The C. R. I. & P. Ry. Co. to the Iowa Railroad Company, and the Interstate Commerce Commission, apportioned to Iowa on the basis named in Exhibit 2.....	\$83,417,624
Value of organized business, development cost, interest and taxes on land during construction, working capital and materials and supplies. (See Exhibit 13) ..	17,660,812

Total value in Iowa for Taxation Purposes.... \$101,078,436

[fol. 676]

EXHIBIT 15 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Total Value as Evidenced by Value of Physical Property According to Tentative Appraisal of the Interstate Commerce Commission in ex Parte 74; Value of Organized Business, etc., as Claimed by the Chicago, Rock Island & Pacific Railway Company in Valuation Docket 152 Before the Interstate Commerce Commission.

The value of the physical property in Iowa, using tentative appraisal of the Interstate Commerce Commission in Ex Parte 74, which was subsequently confirmed by the Commission in docket 13295 in the spring of 1922. (See Exhibit 3.) The total for the system, amounting to \$338,225,008, has been apportioned to Iowa on the basis of the physical property specifically allocated to the State of Iowa by the Interstate Commerce Commission as related to the system as found by the Commission, 27.4%

	\$92,673,652
Value of organized business, development cost, interest and taxes on land during construction period, working capital, materials and supplies as claimed by the C. R. I. & P. Ry. Co. in valuation docket 152 (see Exhibit —)	17,660,812
Total value in the State of Iowa for taxation purposes	110,334,464

[fol. 677]

EXHIBIT 16 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Total Value as Evidenced by Value of Physical Property According to the Appraisal of the Interstate Commerce Commission under the Valuation Act and Franchise and Other Intangible Values Appraised According to the Michigan Method (Formula A—Using 1921 Figures).

Value of physical property used in the tentative appraisal found in valuation docket 152 by the Interstate Commerce Commission, the same being brought down to date by the Chicago, Rock Island & Pacific Railway Co. in Exhibit No. 8, before the Executive Council of the State of Iowa. (See Exhibit 5)

	\$94,381,252
Franchise and other intangible values as appraised under the Michigan Method using 1921 figures (a)	11,701,783
Total	\$106,083,035

This computation does not allow for any increase in working capital and materials and supplies for the year ending December 31, 1921, compared to the year 1915; although the Rock Island Co. itself claimed an increase for 1921 over 1915 covering this item amounting to \$16,433,000. An examination of the C. R. I. & P. Ry. Co. Exhibit 8 before the Executive Council shows the only allowance for working capital (in which the I. C. C. included materials and supplies) is \$2,566,348. That is the Iowa proportion of what the I. C. C. allowed in 1915. The exhibit provides accruals on all other items in the exhibit except "miscellaneous elements of costs," contained on sheet 5 of this exhibit. An examination of the C. R. I. & P.'s annual report (Exhibit 4) will show in that case the company does allow for increased working capital and materials and supplies, 1921 over 1915, under the heading cash and materials (\$25,455,222 over \$9,022,288—including the C. R. I. & G.). Eliminating the C. R. I. & G. and apportioning the balance to the State of Iowa on the ratio of physical property specifically allocated to Iowa by the Interstate Commerce Commission, there should be added to the above total the sum of \$4,502,624, making a total for taxation purposes of 110,585,659.

[fol. 678] EXHIBIT 17 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Total Value as Evidenced by Value of Physical Property According to the Appraisal of the Interstate Commerce Commission under the Valuation Act and Franchise and Other Intangible Values Appraised According to the Michigan Method.

Value of physical property used in the tentative appraisal found in valuation docket 152 by the Interstate Commerce Commission, the same being brought down to date by the Chicago, Rock Island & Pacific Railway Co. in Exhibit No. 8, before the Executive Council of the State of Iowa. (See Exhibit 5)	\$94,381,252
Franchise and other intangible values as appraised under the Michigan method using the average and mean figures, 1915-1921 (Formula B)	4,448,285
Total	98,829,537
This computation does not allow for any increase in working capital and materials and supplies for the year ending December 31, 1921, compared to the year 1915; (See Exhibit 16) amounting to	4,502,624
Total value for Taxation Purposes	\$103,332,161

[fol. 679] EXHIBIT 18 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Total Value as Evidenced by Value of Physical Properties According to the Tentative Appraisal of the Interstate Commerce Commission under the Valuation Act, with the Increases Claimed by the C. R. I. & P. Ry. Co.; Value of Organized Business, etc., According to the Claims of the C. R. I. & P. Ry. Co.

Value of physical properties according to tentative appraisal in Valuation Docket No. 152 before the Interstate Commerce Commission, with increased physical values claimed by the C. R. I. & P. Ry. Co. for property—allocated to Iowa (See Exhibit 7)	\$129,223,696
Value of organized business, development cost, interest and taxes on land during construction, working capital and materials and supplies claimed by the C. R. I. & P. Ry. Co. in addition to the allowance made by the Interstate Commerce Commission. (See Exhibit 13)	17,660,812
Total Value for Taxation purposes	\$146,884,508

(Here follow tables marked side folio pages 680 and 681.)

[fol. 682] EVIDENCE: EXHIBIT K-3

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity.

[Title omitted]

Affidavit of Neill Garrett Concerning the Valuation of the Property of the Chicago, Rock Island & Pacific Railway Company for Taxation Purposes in Iowa

STATE OF IOWA,
Polk County, ss:

I, Neill Garrett, under oath depose and state:

1. That I am a resident of the City of Des Moines and the State of Iowa, and that I am an Assistant Attorney General in the office of the Attorney General of the State of Iowa, and that in such capacity,

[fol. 680]

EXHIBIT 19 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

Comparative Table Showing the Increase or Decrease in the Assessments by the Executive Council, the Gross Earnings and the Physical Values, for Both to 1921 Inclusive

Year	Assessment by executive council			Gross earnings (a)				
		Decrease over 1915		System	Iowa	Increase over 1915 in Iowa		System
		Amount	Per cent			Amount	Per cent	
1915.	\$68,293,155			\$68,041,217	\$17,600,333			\$260,007.1
1916.	65,041,875	\$3,251,280	4.7%	72,189,277	18,559,383	\$959,050	5.4%	266,543.7
1917.	68,272,385	20,770	0.3%	85,709,550	20,487,685	2,887,352	16.4%	279,889.6
1918.	68,272,385	20,770	0.3%	99,869,556	23,673,149	6,072,816	34.5%	286,262.7
1919.	68,272,385	20,770	0.3%	111,578,656	27,105,566	9,505,233	54.1%	290,440.5
1920.	68,272,385	20,770	0.3%	135,063,039	31,614,563	14,014,230	79.1%	302,239.5
1921.	68,272,385	20,770	0.3%	131,766,857	30,035,717	12,435,384	70.5%	306,767.0
1922.	66,950,984	1,342,171	1.9%					

(a) Accounting term for "Gross Earnings" is total operating revenues.

The assessments are shown during the year when made; they are based on the values of the preceding year.

Authorities: The assessments by the Executive Council are from the Reports of the Executive Council; the Gross Earnings of the system are from the Annual Reports of the Board of Railroad Commissioners of Iowa; the gross earnings for Iowa are from the Annual Reports of the Board of Railroad Commissioners of Iowa; and the physical values for Iowa are from Exhibit Six, Sheet One.

EXHIBIT 19 TO THORNE'S AFFIDAVIT

The Chicago, Rock Island & Pacific Railway Company

as in the Assessments by the Executive Council, the Gross Earnings and the Physical Values, for Both the System and the State of Iowa for the Years 1915 to 1921 Inclusive

Executive Council		Gross earnings (a)				Physical value			
Increase over 1915				Increase over 1915 in Iowa				Increase over 1915 in Iowa	
Year	Per cent	System	Iowa	Amount	Per cent	System	Iowa	Amount	Per cent
1915	.....	\$68,041,217	\$17,600,333	.....	.....	\$260,007,118	\$88,607,711	.....	.....
1916	4.7%	72,189,277	18,559,383	\$959,050	5.4%	266,543,723	89,690,519	\$1,082,808	1.2%
1917	0.3%	85,709,550	20,487,685	2,887,352	16.4%	279,889,641	92,882,075	4,274,364	4.8%
1918	0.3%	99,869,556	23,673,149	6,072,816	34.5%	286,262,728	94,569,151	5,961,440	6.72%
1919	0.3%	111,578,656	27,105,566	9,505,233	54.1%	290,440,589	94,769,052	6,161,341	6.95%
1920	0.3%	135,063,039	31,614,563	14,014,230	79.1%	302,239,553	97,229,703	8,621,992	9.75%
1921	0.3%	131,766,857	30,035,717	12,435,384	70.5%	306,767,026	97,894,643	9,286,932	10.48%
1922	1.1%	.....	.....	.....	.....	.....	.....	.....	.....

(a) total operating revenues.

When made; they are based on the values of the preceding year.

Executive Council are from the Reports of the Executive Council; the Gross Earnings of the system are from the Statistical Reports of the Interstate Commerce Commission; the gross earnings for Iowa are from the Annual Reports of the Board of Railroad Commissioners of Iowa, for the respective years; the physical value for the system; and the physical values for Iowa are from Exhibit Six, Sheet One.

EXHIBIT 19, SHEET 2

We do not have a physical appraisal by the Interstate Commerce Commission of the C. R. I. & P. Ry. Co. property prior to 1915. However, we do have the reports as to "Investment in road and equipment" of the C. R. I. & P. Ry. Co. to the Iowa State Board of Railroad Commissioners and to the Interstate Commerce Commission for previous years. The following comparison reflects the increases in taxable values of all property to the railroads from 1912 to 1922 inclusive, compared to the increase in the values as found by the Executive Council of the property of the C. R. I. & P. Ry. Co. during the same period. Comparison is also made to the increase in gross earnings and increase in road and equipment:

Chicago, Rock Island & Pacific Railway Company

	Aggregate assessed value of all property except railroad	Assessed by executive council	Gross earnings		Investment in road and equipment system
			System	Iowa	
1912	\$3,512,827,838	\$53,992,576	\$61,430,442	\$15,090,604	\$221,417,633
1921	4,809,023,005	68,272,385	131,766,857	30,035,717	306,767,026
1922 .....	.....	66,950,984	.....	.....	.....
Increases 1921 over 1912	1,296,195,167	14,279,809	70,336,415	14,945,113	85,349,393
Increases 1922 over 1912 (A) .....	.....	12,958,408	.....	.....	.....
Increase percentages 1921 over 1912	36.9%	26.4%	114%	99%	38.5%
1922 over 1912 .....	.....	24. %	.....	.....	.....

In the foregoing computation it will be noted that while the aggregated system values of all property other than railroads has increased approximately 40 per cent from 1912 to 1921, we find the assessed value of the property of the C. R. I. & P. Ry. Co. to have increased 26.4 per cent from 1912 to 1921 and 24 per cent from 1912 to 1922. During this same period the gross earnings of this company in the State of Iowa have increased from \$15,000,000 to \$30,000,000, or 100 per cent.

Iowa in Investment in Road and Equipment not available.

I have had occasion to examine and become familiar with railroad accounting and with the records and reports of the various railroads filed with and made to the Interstate Commerce Commission, the Executive Council of the State of Iowa and the Board of Railroad Commissioners of the State of Iowa; that I am familiar with the decision of the Interstate Commerce Commission in Ex Parte 74, in which a value was placed upon the physical property of The Chicago, [fol. 683] Rock Island & Pacific Railway Company; that I am familiar with the tentative valuation placed on The Chicago, Rock Island & Pacific Railway Company by the Interstate Commerce Commission in Valuation Docket No. 152 and with the published reports, protests and decisions in that proceeding; that I have examined the annual report of The Chicago, Rock Island & Pacific Railway Company to its stockholders for the year 1921, otherwise known as its 42nd Annual Report, and I am familiar with the values therein stated for the physical and non-physical property of The Chicago, Rock Island & Pacific Railway Company.

2. That affiant has examined the records and published reports of the Board of Railroad Commissioners for the State of Iowa, of the Interstate Commerce Commission and of the Bureau of Valuation of said Interstate Commerce Commission, the annual reports of The Chicago, Rock Island & Pacific Railway Company to the Executive Council of the State of Iowa and to the Board of Railroad Commissioners for the State of Iowa, relative to the operations and financial statements, including values on the various elements of property in The Chicago, Rock Island & Pacific Railway System, and that I have prepared Exhibits "1," "2" and "3," which are hereby made a part of this affidavit, and that said exhibits present data in regard to the valuation of the property of the said Chicago, Rock Island & Pacific Railway Company for taxation purposes within the State of Iowa, and that said exhibits show the true and correct facts as disclosed by the available records and reports as interpreted under prevailing accounting systems.

[fol. 683½] 3. The following is a brief outline of the above named exhibits:

EXHIBIT "1"

Exhibit "1" shows the value of the total physical properties of The Chicago, Rock Island & Pacific Railway Company, excluding the Chicago, Rock Island & Gulf Railway Company and the Morris Terminal, as found in the tentative valuation of the Interstate Commerce Commission in Valuation Docket No. 152. The exhibit then shows the total value of physical property of the Carrier distributed and allocated to Iowa on the basis of the ratio of the physical property in Iowa to the physical property for the whole system, which value of the physical property thus allocated to Iowa on June 30, 1915, is \$93,653,869.00. The exhibit then shows the claims for additional values for organized business, development cost, working capital, and interest and taxes on land

during construction, etc., allocated to Iowa in the sum of \$17,660,812.00. Adding these two values, we find the value of the total property of The Chicago, Rock Island & Pacific Railway Company proportioned to Iowa as of June 30, 1915, in the sum of \$111,313,661.00. The exhibit further shows the additions and betterments to the system for the period from June 30, 1915, to December 31, 1921, in the sum of \$38,568,265.00. The total value then is shown of the physical property of the whole system as determined in Tentative Valuation Docket No. 152, adding additions and betterments depreciated, on December 31, 1921, in the total sum of \$360,845,861. The exhibit then shows this amount apportioned to Iowa on the basis of the average of the ratio of single track, all track, car and train miles in Iowa to the system (27.4%), which total value of the physical property apportioned to Iowa on December 31, 1921, is \$98,871,766.00. Adding to that figure \$17,660,812.00, which represents the C., R. I. & P. Ry. Co.'s claims for additions, the exhibit shows a total value for taxation purposes in Iowa of the property of The Chicago, Rock Island & Pacific Railway Company on December 31, 1921, of \$116,532,577.00.

EXHIBIT "2"

Exhibit "2" shows the value of the property of The Chicago, Rock Island & Pacific Railway Company proportioned to Iowa on the basis of the findings and the tentative appraisal of the Interstate Commerce Commission in Ex Parte 74. The exhibit shows a value for total physical property in Iowa proportioned on the basis of the ratio of the fixed property in Iowa to the total fixed property of the system, as determined by the commission, in the sum of \$99,908,919.00. Adding to that value the sum of \$17,660,812.00, which represents the claimed value of organized business, development cost, interest and taxes on land during construction, working capital, materials and supplies, etc., the exhibit shows a total value in the State of Iowa for taxation purposes of \$117,569,731.00. Said Exhibit "2" also shows the total value for taxation purposes in Iowa, apportioning to Iowa the value of physical property on the basis of the average of the transportation units, being 27.4%, at \$101,862,615.00.

[fol. 685]

EXHIBIT "3"

Exhibit "3" shows the values of the property of The Chicago, Rock Island & Pacific Railway Company in Iowa as determined by the annual report of The Chicago, Rock Island & Pacific Railway Company of its stockholders for the year 1921. That report shows a value for total physical properties on June 30, 1921, amounting to \$388,277,342.00. From that figure was deducted non-carrier property, the Interstate Commerce Commission's valuation of the C., R. I. & G. Ry. Co. as of June 30, 1915, additions and betterments of the C., R. I. & G. Ry. Co. for the period from June 30, 1915, to June 30, 1921, and the Interstate Commerce Commission valuation of the Morris Terminal Railway Company, which leaves a value for the total

physical properties of The Chicago, Rock Island & Pacific Railway Company, as evidenced by said report, of \$368,235,119.00. To that figure should be added the value of the physical property of the Keokuk and Des Moines, Peoria and Bureau Valley and White and Black River roads. These values were deducted in the printed report for the reason that the statement there given was made to show capital investment only, and the Carrier proper did not own the capital investment in these subsidiary roads. However, these roads are operated as a part of the system, and for taxation purposes in Iowa, their physical values should be figured in the total value. Including these subsidiary roads, the physical property of the whole system amounts to \$374,050,077.00. This amount apportioned to Iowa on the basis of the fixed property in Iowa to the total fixed [fol. 686] property of the system, as shown in the Interstate Commerce Commission's Valuation Docket No. 152, is \$108,698,952.00. Adding to that figure the claimed value by the Carrier for organized business, development cost, interest and taxes on land during construction period, working capital, materials and supplies, as shown in the protest filed in Valuation Docket No. 152, the exhibit shows a total value in the State of Iowa for taxation purposes of \$126,359,764.00.

Further than this the exhibits are self-explanatory.

Wherefore: Affiant states that the final value of the property of The Chicago, Rock Island & Pacific Railway Company for taxation purposes in Iowa, as shown by these exhibits and as claimed by The Chicago, Rock Island & Pacific Railway Company in various proceedings before, and reports to, the Executive Council of the State of Iowa, the Board of Railroad Commissioners of the State of Iowa and the Interstate Commerce Commission, varies from \$111,862,615.00 to \$126,359,764.00.

Neill Garrett.

Subscribed and sworn to before me by the said Neill Garrett this 23rd day of October, 1922. Winogene Hobbs, Notary Public in and for Polk County, Iowa.

[fol. 687] EXHIBIT "1" TO GARRETT'S AFFIDAVIT

Valuation of C., R. I. & P. Ry. Property in Iowa in Excess of Physical Property Found by the Interstate Commerce Commission

For Iowa

Total physical property of C. R. I. & P. Ry. Co. (Excluding C. R. I. & G. and Morris Terminal) as found in the Tentative Valuation of the Interstate Commerce Commission in Valuation Docket 152 (p. 28) \$322,277,596

Valuation of C., R. I. & P. Ry. Property in Iowa—Continued

The Commission allocated the major portion of this total among the states. If we distribute the unallocated in the same ratio as that which was specifically allocated to the State of Iowa (29.06%) the total value of the physical property of the C. R. I. & P. Ry. Co. in Iowa was on June 30, 1915,		93,653,869
The C. R. I. & P. Ry. Co. makes claims for additional values for organized business, development cost, working capital and interest, and taxes on land during construction period aggregating \$66,128,500. (for the system including C. R. I. & G. and Morris Terminal, having a combined physical value of \$355,538,263). This is not distributed among the states by the said C. R. I. & P. Ry. Co. If we allocate this sum to Iowa in the same ratio (20%) to the physical property in Iowa, as the sum which the Rock Island claims for the system compares to the Physical Value of the system as found by the Interstate Commerce Commission, the added value for these factors in Iowa is,		\$17,660,812
Total Value in the State of Iowa for taxation purposes, June 30, 1915,		<u>\$111,314,681</u>
Total Investment in Road and Equipment for system, less 18% depreciation, as shown by annual reports to the Iowa Railroad Commissioners and to the Executive Council, for Additions and Betterments from June 30, 1915 to December 31, 1921, is,		\$38,568,265
Total Value of Physical Property for system as found in tentative Valuation Docket 152, adding additions and betterments depreciated, on December 31, 1921, is		360,845,861
[fol. 688] Apportioned to Iowa on basis of the average of the ratio of single track, all track, car and train miles in Iowa to system which is 27.4%, the value in Iowa of the Physical Property on December 31, 1921, is,		98,871,766
Value in Iowa for Taxation purposes, Adding in C. R. I. & P. Ry. Co. claims for additions (\$17,660,812)		\$116,532,577

Authorities: Value of Physical Property—Valuation Docket 152 of the Interstate Commerce Commission, page 28. Value of organized business, etc. Protest of C. R. I. & P. Ry. Co. in Valuation Docket 152 (at pages 6, 10, 11, 110). Annual Reports of Carrier to Railroad Commissioners and to Executive Council.

[fol. 689] EXHIBIT 2 TO GARRETT'S AFFIDAVIT

(Copy)

The Chicago, Rock Island and Pacific Railway Company

Value of Physical Property as Evidenced by the Tentative Valuations in ex Parte 74 (1920) and in Docket 13293 (1922), Made by the Interstate Commerce Commission

In each case the valuation fixed by the Commission was below that claimed by the Railway Company.

Property Investment of the C. R. I. & P. Ry. Co. shown in Ex Parte 74, before I. C. C.	\$392,426,763
Less Property investment of the C. R. I. & G. Ry. Co.	18,118,432

Property Investment—The C. R. I. & P. Ry. Co.	\$374,308,331
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(Authority: Exh. 6, attached to affidavit in the District Court of the United States in and for the Southern District of Iowa, Central Division in No. 4159, In Equity. Also Exh. No. 1, offered by Western Carriers in Ex Parte 74, 58, I. C. C. 220.)

The above figures include claims for materials and supplies and working capital.

The Interstate Commerce Commission reduced the property investment claims of the Western Carriers 8.15%. Applying this percentage, we have: for the C. R. I. & P. Ry. Co., \$343,802,202.

The Commission adopted the same figures in their findings in the General Rate Case, Docket 13293, 68 I. C. C. 676.

[fol. 690] The Chicago, Rock Island & Pacific Railway Company

Total Value as Evidenced by Value of Physical Property According to Tentative Appraisal of the Interstate Commerce Commission in ex Parte 74; Value of Organized Business, etc., as Claimed by the Chicago, Rock Island & Pacific Railway Company in Valuation Docket 152 Before the Interstate Commerce Commission

The value of the physical property in Iowa, using tentative appraisal of the Interstate Commerce Commission in Ex Parte 74, which was subsequently confirmed by the Commission in docket 13293 in the spring of 1922. (See exhibit 3.)

The total for the system, amounting to \$343,802,202, has been apportioned to Iowa on the basis of the physical property specifically allocated to the State of Iowa by the Interstate Commerce Commission as related to the system as found by the Commission, 29.06%	\$99,908,919.00
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Value of Physical Property—Continued

Value of organized business, development cost, interest and taxes on land during construction period, working capital, materials and supplies, as claimed by the C. R. I. & P. Ry. Co. in valuation docket 152	17,660,812.00
Total value in the State of Iowa for taxation purposes	117,569,731.00
Apportioned to Iowa on basis of average of transportation units in Iowa to system gives a value for physical property of	94,201,803.00
Adding in value of organized business etc. as claimed by carrier, the value for taxation purposes in Iowa is	111,862,615.00

[fol. 691] **EXHIBIT 3 TO GARRETT'S AFFIDAVIT**

The Chicago, Rock Island & Pacific Railway Company

Value of Physical Property as Evidence by the Annual Report of the Chicago, Rock Island & Pacific Railway Company for the Year 1921

Total Physical Property, June 30, 1921..... \$388,277,342

Deducting:

Non-carrier property.....	\$5,745,895	
I. C. C. valuation of C. R. I. & G. Ry. Co. as of June 30, 1915 (1).....	13,212,667	
Additions and Betterments of the C. R. I. & G. Ry. Co., June 30, 1915, to June 30, 1921 (2).....	1,034,911	
I. C. C. Valuation of Morris Terminal Ry. Co. (3).....	48,750	
		20,042,223
		<hr/> \$368,235,119

(1) Tentative Valuation Report of C. R. I. & P. Ry. Co. Docket 152, p. 83.

(2) Annual Reports of the C. R. I. & P. Ry. Co., 1915 to 1921, inclusive. The figure for six months of 1921 had to be approximated.

(3) Tentative Valuation Report of C. R. I. & P. Ry., Co., Docket 152, p. 87.

Value of Physical Property—Continued

In reaching the figure for total physical property of the C. R. I. & P. Ry. Co. shown above, the physical values of the Keokuk & Des Moines, Peoria and Bureau Valley, and White & Black River were deducted, for stated reasons. Since the operations of those companies are included in the Rock Island system operations whenever system operations are considered in connection with the physical value of the plant, the valuation of these properties should be added, making a final total of.....

\$374,050,077

Apportioning this amount on the basis of the physical property specifically allocated to the State of Iowa by the Interstate Commerce Commission as related to the system or found by the Commission 29.95%, as shown in I. C. C. Valuation Docket 152.....

\$108,698,952

Value of organized business, development cost, interest, taxes on land during the construction period, working capital, materials and supplies, as claimed by the C. R. I. & P. Ry. Co. in Protest in Valuation Docket 152.....

\$17,660,812

Total value in the State of Iowa for taxation purposes.....

\$126,369,764

[fol. 692]

EVIDENCE: EXHIBIT L-1

Filed October 23, 1922. N. F. Reed, Clerk, By Gertrude Darrell, Deputy

Average Operating Ratio of All Lines Reporting to the Iowa Railroad Commission for the Years 1910 to 1921, Inclusive

1910	67.88%
1911	67.08
1912	68.81
1913	66.96
1914	67.73
1915	66.63
1916	63.88
1916	63.49
1917	68.66
1918	80.69
1919	82.35
1920	91.35
1921	79.21

STATE OF IOWA,

Polk County, ss:

I, C. B. Ellis, under oath, depose and state that I am statistician for the Board of Railroad Commissioners of Iowa, and that as such I am familiar with the records and reports on file with said board, and that the foregoing figures were computed from the official records and reports on file with the said Board for the years indicated, and that same are true and correct as I verily believe.

C. B. Ellis.

Subscribed and sworn to before me by said C. B. Ellis, this 23rd day of October, 1922. Winogene Hobbs, Notary Public in and for said County. (Seal.)

[fol. 693]

EVIDENCE: EXHIBIT L-2

The Chicago, Rock Island & Pacific Railway Company

Value of Property for Taxation Purposes in Iowa

Determined on Gross Revenue Basis

Total operating income for year 1921 (Additional Annual Report to Executive Council)	\$30,035,717.80
Average operating ratio for years 1910 to 1921 of all roads reporting to Iowa Railroad Commission (Authority—Annual Reports to Commission) ..	71.9%
Average operating ratio for years 1917 to 1921 inclusive (5 years)	80.45%
Net revenue for 1921 obtained by applying Average percentage (71.9%) operating ratio for years 1910 to 1921, to total income	\$8,440,036.71
Value of property subject to taxation in Iowa obtained by capitalizing net income at 5%	\$168,800,734.00
Value of property subject to taxation in Iowa obtained by capitalizing net income at 5½%	\$153,455,213.00
Value of property subject to taxation in Iowa obtained by capitalizing net income at 6%	\$140,667,278.00
Net Revenue for 1921 obtained by applying average percentage (80.45%) operating ratio for years 1917 to 1921 inclusive, to total income, ..	\$5,871,982.83
Value of property subject to taxation in Iowa obtained by capitalizing net income at 5%	\$117,439,656.00
Value of property subject to taxation in Iowa obtained by capitalizing net income at 5½%	\$107,653,018.00
Value of property subject to taxation in Iowa obtained by capitalizing net income at 6%	\$97,866,380.00

[fol. 694]

(Copy)

STATE OF IOWA,

Polk County, ss:

I, C. B. Ellis, under oath depose and state:

That I am the Statistician for the Board of Railroad Commissioners of the State of Iowa, and that I have compiled the foregoing Exhibit, marked L-2, from the records on file with the Board of Railroad Commissioners of the State of Iowa, and that the same shows the total values of property in Iowa capitalized on the basis of the average operating ratio for all the roads reporting to the Iowa Railroad Commission for the period from 1910 to 1921, and also for the period from 1917 to 1921.

(Signed) C. B. Ellis.

Subscribed and sworn to before me by the said C. B. Ellis this 23rd day of October, 1922. (Sgd.) Vinogene Hobbs, Notary Public in and for Polk County, Iowa. (Seal.)

[fol. 695]

EVIDENCE: EXHIBIT 8

(Copy)

STATE OF IOWA,

Polk County, ss:

I, E. Mac Sweeney, being first duly sworn upon my oath depose and say: that I am the second Assistant Secretary of the Executive Council of the State of Iowa; that as such I was present at the time of the hearing in connection with the assessment of railroad property in 1922, including the assessment of the Chicago, Rock Island & Pacific Railway Company and the Chicago, Great Western Railroad Company; that I know that among other things which the Council had before it in connection with the assessment of said railroad properties they had complete statistical reviews and data relative to the market values of stocks and bonds; the par value of stocks and bonds; gross and net income of the several railroads; the annual reports and additional annual reports of each of the several carriers, including the two carriers in question; also the report for all preceding years of each of said carriers, including said two particular carriers; also the complete assessed value of all classes of property for preceding years; also the reports of said railroad companies, including the two companies in question, the Railroad Commission of the State of Iowa, for the year 1921 and preceding years; also exhibit No. 1, pages 7 to 12, in Exparte 74 before the Interstate Commerce Commission of the United States; also the reports of the Railroad Commission of the State of Iowa; the reports of the Executive Council of the State of Iowa; the reports of the Auditor of State of the State of Iowa; also the tentative finding of value by the Interstate Commerce Commission on file with

the Governor of Iowa; also copy of letter of L. C. Fritch, Vice President of the Chicago, Rock Island & Pacific Railway Company, to the Board of Railroad Commissioners of Iowa, with reference to the value of Chicago, Rock Island & Pacific Railway property in Iowa; also other matters and things which I do not at this time recall.

E. Mac Sweany

Subscribed and sworn to before me by E. Mac Sweany, this 23rd day of October, A. D. 1922. Winogene Hobbs, Notary Public in and for Polk County, Iowa.

[fol. 696]

EVIDENCE: EXHIBIT T

Filed Oct. 24, 1922. N. F. Reed, Clerk, By Gertrude Darrell, Deputy

Copy

BEFORE THE INTERSTATE COMMERCE COMMISSION

Ex Parte 74

Exhibit Number 1—Pages 1 to 12—Submitted in Behalf of the Railroads in Western District, May, 1920

Including 11 Pages of Statements Submitted in Connection with Testimony on Rebuttal by L. E. Wetling, July 1, 1920

[fol. 697]

EXHIBIT NO. 1, PAGE 9

Western District

Property Investment—185 Roads or Systems

Western District

Average Miles Operated, 138,243.74

	Chicago, Rk. Island & Pac. Lines	Chicago Great Western
Miles Owned October 31, 1919, . . .	7,689,27	1,411,69
Property Investment, Accts. 701- 702, Dec. 31, 1917	\$362,772,238	\$131,482,952
Additions & Betterments, Jan. 1, 1918 to Oct. 31, 1919	10,026,499	1,315,557
Cost Government Allocated Equip- ment	7,042,670	716,145
Material & Supplies Oct. 31, 1919,	12,585,355	2,490,343
Total Property Investment	392,426,762	136,004,997

(Here follow tables marked side folio pages 698, 699, 700, 701, 702, and 703.)

EVIDENCE: EXHIBIT V-1

Extracts from Published Reports of the Board of Railroad Commissioners of Io

Report for year	1		2	3	4	5
	Total par value of capital stock actually outstanding at close of year		Par value of mortgage bonds actually outstanding at close of year	Total par value of equipment obliga- tions actually outstanding at close of year	Total par value miscellaneous obligations actually outstand- ing at close of year	Total par v collateral bonds actu- ally outstand- ing at close of
	Common	Preferred				
1914	C. R. I. & P. Ry. Co., Year of 1913.....	74,872,322.50	.....	See Column (9)	See Column (9)	See Column (9)
	*St. P. & K. C-St. L. ".....	50,000.00	.....	" " "	" " "	" " "
1915	C. R. I. & P. Ry. Co., Year of 1914.....	74,359,722.50	.....	See Column (8)	See (6) & (7)	See (8)
	**St. P. & K. C-St. L. ".....	.....	.....	.....	.....	.....
1916	C. R. I. & P. Ry. Co., Year of 1915.....	74,359,722.50	.....	182,527,000.00	See (6) & (7)	20,010,000.00
	St. P. & K. C-St. L. ".....	50,000.00	.....	12,621,145.00	.....	10,488.00
1917	C. R. I. & P. Ry. Co., Year of 1916.....	74,359,722.50	.....	182,527,000.00	See (6) & (7)	20,000,000.00
	St. P. & K. C-St. L. ".....	50,000.00	.....	12,625,150.00	.....	10,488.00
1918	C. R. I. & P. Ry. Co., Year of 1917.....	74,359,722.50	54,422,160.00	170,027,000.00	See (6) & (7)	.....
	St. P. & K. C-St. L. ".....	50,000.00	.....	12,627,730.00	.....	1,494.00
1919	C. R. I. & P. Ry. Co., Year of 1918.....	74,359,722.50	54,530,289.00	170,027,000.00	10,790,268.60	.....
	St. P. & K. C-St. L. ".....	50,000.00	.....	12,627,730.00	.....	.....
1920	C. R. I. & P. Ry. Co., Year of 1919.....	74,359,722.50	54,544,789.00	170,027,000.00	8,705,321.80	.....
	St. P. & K. C-St. L. ".....	50,000.00	.....	12,641,455.00	.....	4,500.00
1921	C. R. I. & P. Ry. Co., Year of 1920.....	74,359,722.50	54,557,989.00	170,027,000.00	15,267,625.00	9,862,000.00
	St. P. & K. C-St. L. ".....	50,000.00	.....	12,687,820.00	.....	1,500.00

*Report covers 4 months: June 30, 1913, to October 31, 1913.

**No report.

EVIDENCE: EXHIBIT V-1

tracts from Published Reports of the Board of Railroad Commissioners of Iowa

	2	3	4	5	6	7	8	9
Pital stock Close of year	Par value of mortgage bonds actually outstanding at close of year	Total par value of equipment obliga- tions actually outstanding at close of year	Total par value miscellaneous obligations actually outstand- ing at close of year	Total par value collateral trust bonds actually outstanding at close of year	Equipment obliga- tions actually out- standing, matured and unpaid, at close of year	Equipment obli- gations actually outstanding, unmatured, at close of year	Other than equip- ment obligations actually outstanding at close of year	Funded debt, total par value not held by respondent
Preferred	See Column (9)	See Column (9)	See Column (9)	See Column (9)	See	Column	(9)	235,246,000.00
	" " "	" " "	" " "	" " "	"	"	"	9,854,110.00
	See Column (8)	See (6) & (7)	See (8)	See (8)	198,897.50	16,740,000.00	214,543,000.00	See Columns 2, 3, 4, & 5
	182,527,000.00	See (6) & (7)	20,010,000.00	10,488,000.00	177,425.00	14,295,000.00		
	12,621,145.00							
	182,527,000.00	See (6) & (7)	20,000,000.00	10,488,000.00	177,000.00	12,852,000.00		
	12,625,150.00							
422,160.00	170,027,000.00	See (6) & (7)		1,494,000.00	176,000.00	12,875,215.40		
	12,627,730.00							
530,289.00	170,027,000.00	10,790,268.60						
	12,627,730.00							
544,789.00	170,027,000.00	8,705,321.80		4,500,000.00	See Column (3)			
	12,641,455.00							
557,989.00	170,027,000.00	15,267,625.00	9,862,000.00	4,500,000.00				
	12,687,820.00							

[fol 699]

EVIDENCE: EXHIBIT V-2

Extract from Annual Reports of the Chicago, Rock Island & Pacific Railway Company to the Board of Railroad Commissioners of the State of Iowa

Year of report		For entire system			For State of Iowa		
		Operating revenues	Operating expenses	Net operating revenues	Operating revenues	Operating expenses	Net operating revenues
1914	Year ending June 30th.....	65,388,503.40	48,893,138.70	16,495,364.70	17,143,526.36	13,157,898.11	3,985,628.25
1915	" " " ".....	68,041,216.50	51,307,307.63	16,733,908.87	17,662,723.13	13,590,298.58	4,590,298.58
1916	" " " ".....	72,189,276.64	52,308,871.39	19,880,405.25	17,600,333.64	13,434,291.05	4,166,042.59
1916	" " Dec. 31st.....	77,482,910.69	52,796,820.87	24,686,089.82	18,559,383.69	13,512,769.30	5,046,614.39
1917	" " " ".....	85,709,549.47	63,489,090.49	22,220,458.98	20,487,685.79	16,365,225.38	4,122,460.41
1918	" " " ".....	Corporate 123,358.63	*123,358.63	Report	See Federal Report		
1919	" " " ".....	Corporate 371,723.79	*371,723.79	Report	Below		
1920	" " " ".....	135,063,039.03	127,809,277.38	7,253,761.65	31,314,563.52	34,152,692.51	*2,538,128.92
1921	" " " ".....	131,763,857.60	107,170,333.65	24,596,523.95	30,035,717.80	27,624,798.93	2,410,918.87
1918	Federal Report year ending Dec. 31st	99,869,555.65	86,098,574.31	13,770,982.34	23,673,149.74	22,452,063.35	1,221,086.39
1919	Federal Report year ending Dec. 31st	111,578,655.48	97,022,766.67	14,555,888.81	27,105,566.72	25,873,867.10	1,231,699.62

[*Red in copy.]

531. STATISTICS OF RAIL-LINE OPERATIONS.

Give the various statistical items called for concerning the rail-line operations of respondent's road during the year, regardless of change in form of control. If the respondent for its own purpose uses more accurate methods than are provided below for computing the required averages, the more accurate figures should be given in the returns, and the method of computing such averages should be indicated in a footnote. Train-miles, locomotive-miles, car-miles, motor car-miles, and other particulars are to be classified in accordance with the Uniform System of Accounts for Steam Railway Corporations. Particulars of electric operations not provided for in the form given below should be stated in a memorandum at the foot of the next page.

INSTRUCTIONS REGARDING VARIOUS ITEMS.

The items are designated hereunder by the numbers attached to them in the table.
 1 includes road operated under trackage rights.
 2 includes all freight revenue from which is includible in account No. 101, "Freight."

82 includes only that non-revenue freight which is hauled on transportation trains.
 83 relates to all freight hauled on transportation trains.
 103 is the aggregate of revenue accounts Nos. 103 to 109, inclusive. (See page 302.)

111 = 13 + 1.	134 = 62 + 16.	161 = 13 + 24.	171 = 92 + (56 + 57 + 64 + 65).
112 = 14 + 1.	135 = 84 + (13 + 15).	152 = 55 + 24.	172 = 102 + (56 + 57 + 64 + 65).
113 = 15 + 1.	136 = 86 + (13 + 15).	153 = 55 + 24.	181 = 84 + 81.
114 = 16 + 1.	137 = 60 + 14.	154 = 60 + 28.	182 = 85 + 82.
115 = 17 + 1.	138 = (64 + 65 + 66 + 67) + 15.	155 = 15 + 32.	183 = 86 + 83.
116 = 18 + 1.	139 = 92 + (14 + 15).	156 = 68 + 32.	184 = 92 + 91.
117 = 41 + 1.	140 = 101 + (13 + 15).	157 = 16 + 36.	185 = 101 + 81.
118 = (55 + 61 + 62 + 63 + 69 + 70 + 71) + 1.	141 = 103 + (14 + 15).	158 = 76 + 36.	186 = 101 + 84.
119 = (60 + 64 + 65 + 66 + 67 + 72 + 73 + 74 + 75) + 1.	142 = 104 + 17.	159 = 84 + (51 + 61).	187 = 102 + 91.
	143 = 105 + 17.	160 = 86 + (51 + 61).	188 = 102 + 92.
	144 = 106 + 17.	161 = 101 + (51 + 61).	189 = 105 + 104.

Item.	Item.	Item.	Item.	Item.
(a)	(b)	(c)	(d)	(e)
1 Average mileage of road operated, † (miles),	7 642 02	•	•	•
2 Train-miles.				
3 Freight—ordinary.	16 491 319	Passenger train—dining.	3 426 860	
4 " —light.	113 136	" " —other.	27 580 824	
5 " —total.	16 604 455	" " —total.	92 585 552	
6 Passenger.	15 293 333	Mixed train—freight loaded.	3 454 329	
7 Mixed.	869 122	" " —empty.	1 458 565	
8 Special.	3 443	" " —caboose.	143 706	
9 Total transportation service.	32 770 383	" " —passenger.	1 274 064	
10 Work service.	911 400	" " —sleeping parlor, and observation.	25 249	
11 Locomotive-miles.		" " —dining.	•	
12 Freight—principal.	16 604 455	" " —other passenger-train.	155 950	
13 " —helper.	305 925	" " —total.	6 511 863	
14 " —light.	160 167	Special train—freight loaded.	31 352	
15 " —total.	17 070 547	" " —empty.	3 491	
16 Passenger—principal.	15 158 943	" " —caboose.	2 643	
17 " —helper.	57 549	" " —passenger.	2 601	
18 " —light.	126 566	" " —sleeping parlor, and observation.	6 561	
19 " —total.	15 343 058	" " —dining.	193	
20 Mixed train—principal.	869 152	" " —other passenger-train.	1 493	
21 " —helper.	364	" " —total.	48 334	
22 " —light.	18 135	Total transportation service.	614 672 136	
23 " —total.	887 651	Work service.	2 452 524	
24 Special—principal.	3 443	Freight service.	•	
25 " —helper.	3 443	Tons—revenue freight.	9 311 501	
26 " —light.	•	" " —non-revenue freight.	5 487 828	
27 " —total.	•	" " —total.	34 799 329	
28 Train switching.	1 261 212	Ton-miles—revenue freight.	7 555 436 397	
29 Yard switching—freight.	6 236 518	" " —non-revenue freight.	983 119 376	
30 " —passenger.	441 239	" " —total.	8 536 555 773	
31 " —total.	6 677 757	Passenger service.	•	
32 Total transportation service.	41 243 668	Passengers carried—revenue.	22 157 546	
33 Work service.	911 400	Passenger-miles—revenue.	1 184 717 669	
34	•	REVENUES AND EXPENSES.	•	
35	•	Freight revenue.†	89 475 130 77	
36	•	Passenger revenue.†	34 073 457 08	
37	•	Passenger service train revenue.†	42 700 253 40	
38	•	Operating revenues.†	135 063 039 03	
39	•	" —expenses.†	127 809 277 36	
40	•	Net operating revenues.†	7 253 761 66	
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CAR-MILEAGE.

701

531B. STATISTICS OF RAIL-LINE OPERATIONS—WITHIN THE STATE.

[FOR COASTAL MARINE OPERATING REPORTS]

Give the various statistical items called for concerning the rail line operations of the respondent's road during the year, regardless of changes in form of control. If the respondent for its own purposes uses more accurate methods than are provided below for computing the required averages, the more accurate figures should be given in the returns, and the method of computing each average should be indicated in a footnote. Train-miles, locomotive-miles, car-miles, motor car-miles, and other particulars are to be classified in accordance with the Uniform System of Accounts for Steam Railway Corporations. Particulars of electric operations not provided for in the form given below should be stated in a memorandum at the foot of the next page.

INSTRUCTIONS REGARDING VARIOUS ITEMS.

The items are indicated hereunder by the numbers attached to them in the table.

1 includes all freight in the freight.

81 includes all freight the revenue from which is included in account No. 101, "Freight."

82 includes only that nonrevenue freight which is hauled on transportation tracks.

83 refers to the freight included in 82.

109 is the aggregate of revenue account Nos. 102 to 109, inclusive. (See page 30a.)

111 = 13 + 1.	120 = 101 + 1.	131 = 62 + 15.	151 = 13 + 24.	171 = 92 + (56 + 57 + 64 + 65).
112 = 14 + 1.	121 = 102 + 1.	135 = 84 + (13 + 15).	152 = 55 + 24.	172 = 102 + (56 + 57 + 64 + 65).
113 = 15 + 1.	122 = 103 + 1.	136 = 86 + (13 + 15).	153 = 14 + 28.	181 = 84 + 81.
114 = 16 + 1.	123 = 104 + 1.	137 = 60 + 14.	154 = 60 + 28.	182 = 85 + 82.
115 = 17 + 1.	124 = 106 + 1.	138 = (64 + 65 + 66 + 67) + 15.	155 = 15 + 32.	183 = 86 + 83.
116 = 18 + 1.	125 = 84 + 1.	139 = 92 + (14 + 15).	156 = 68 + 32.	184 = 92 + 91.
117 = 41 + 1.	126 = 86 + 1.	140 = 101 + (13 + 15).	157 = 16 + 36.	185 = 101 + 81.
118 = (55 + 61 + 62 + 63 + 69 + 70 + 71) + 1.	127 = 92 + 1.	141 = 103 + (14 + 15).	158 = 76 + 36.	186 = 101 + 84.
119 = (60 + 61 + 65 + 66 + 67 + 72 + 73 + 74 + 75) + 1.	131 = 81 + 13.	142 = 104 + 17.	161 = 84 + (51 + 61).	187 = 102 + 91.
	132 = 61 + 15.	143 = 106 + 17.	162 = 86 + (51 + 61).	188 = 102 + 92.
	133 = 52 + 13.	144 = 106 + 17.	163 = 101 + (51 + 61).	189 = 105 + 104.

ITEM.	AMOUNT.	ITEM.	AMOUNT.
(a)	(b)	(c)	(d)
1 Average mileage of road operated †	2,268.04	Passenger train—dining.	867.825
2 Freight—ordinary.	4,750.483	" " —other.	702.375
3 " —light.	11,906	" " —total.	21,876.470
4 Passenger.	4,767,584	Mixed train—freight—loaded.	1,741.36
5 " —total.	3,846,772	" " —empty.	600.447
6 Mixed.	457,384	" " —caboose.	133.11
7 Special.	501	" " —passenger.	671.558
8 Total transportation service.	4,117,266	" " —sleeping, parlor, and observation.	1,704
9 Work service.	77,873	" " —other passenger train.	818.13
10 LOCOMOTIVE-MILES.		" " —total.	3,230.447
21 Freight principal.	4,767,584	Special train—freight—loaded.	702
22 " —helper.	105,186	" " —empty.	447
23 " —light.	56,346	" " —caboose.	1,640
24 " —total.	4,929,116	" " —passenger.	671
25 Passenger principal.	3,850,074	" " —sleeping, parlor, and observation.	1,70
26 " —helper.	4,744	" " —other passenger train.	75
27 " —light.	16,373	" " —total.	4,952
28 " —total.	3,871,221	Total transportation service.	155,244.524
29 Mixed train principal.	457,384	Work service.	784.841
30 " —helper.	44	Freight Service.	
31 " —light.	14,405	Tons—revenue freight.	11,977.715
32 " —total.	471,338	" " —nonrevenue freight.	
33 Special—principal.	501	" " —total.	1,587,703.072
34 " —helper.		Ton-miles—revenue freight.	
35 " —light.		" " —nonrevenue freight.	
36 " —total.	501	" " —total.	1,587,703.072
37 Train switching.	545,773	Passenger Service.	
38 Yard switching freight.	1,713,524	Passengers carried—revenue.	5,450,702
39 " —passenger.	1,55,046	Passenger-miles revenue.	781,644.571
40 " —total.	1,338,660	REVENUES AND EXPENSES.	
41 Total transportation service.	11,267,044	Freight revenue, †	70,451,367.8
42 Work service.	77,873	Passenger revenue, †	8,446,352.49
43		Passenger service train revenue, †	10,526,474.72
44		Operating revenues, †	31,644,523.57
45		" expenses, †	34,152,142.5
46		Net operating revenues, †	2,532,380.99
47		AVERAGES PER MILE OF ROAD.	
48		Freight train miles.	7,100
49		Passenger train miles.	1,718
50		Mixed train miles.	302
51 Freight train—loaded.	88,345,453	Special train miles.	5
52 " —empty.	37,517,118	Transportation service train-miles.	4,070
53 Sum of loaded and empty.	125,862,571	Work train miles.	1,70
54 Freight train—caboose.	4,740,074	Locomotive-miles—transportation.	4,939
55 " —total.	130,577,645		
56 Passenger train—passenger.	9,051,388		
57 " —sleeping, parlor, and observation.	4,887,832		

† Two decimal places required.

STATE COMMISSION TURN—STEAM.

531. STATISTICS OF RAIL-LINE OPERATIONS.

Give the various statistical items called for concerning the rail-line operations of respondent road during the year. If the respondent for its own purposes uses more accurate methods than are provided for in the instructions, it may give the figures as so ascertained, and also the required averages, the more accurate figures should be given in the returns, and the method of computing as a footnote. The figures should be given in the form of a table, and the instructions should be followed at the foot of the next page. If items 11-18 and 21-31 are to be any other than the figures of the respondent, the table showing the extent of such mileage included in each item should be inserted on page 507.

INSTRUCTIONS REGARDING VARIOUS ITEMS.

The items are designated hereunder by the numbers attached to them in the table.

1 includes road operated.

91 includes all freight the revenue from which is includible in account No. 101, "Freight."

92 includes only that nonrevenue freight which is loaded on transportation trains.

100 is the aggregate of revenue accounts Nos. 102 to 109, inclusive. (See page 507.)

111=13+1.	121=103+1.	130=94+(13+freight-car portion of 15).	144=104+17.	171=94+(37+58+66+67).
112=14+1.	122=104+1.	131=61+14.	151=13+24.	172=102+57+59+60+61.
113=15+1.	123=105+1.	132=66+67+68+69+14.	152=58+24.	181=91+21.
114=16+1.	124=106+1.	133=99+(14+passenger-car portion of 15).	153=14+24.	182=85+32.
115=17+1.	125=94+1.	134=101+15+freight-car portion of 15.	154=61+28.	183=86+31.
116=18+1.	126=95+1.	135=101+15+freight-car portion of 15.	155=15+32.	184=95+37.
117=41+1.	127=99+1.	136=101+15+freight-car portion of 15.	156=70+32.	185=101+31.
118=(40+62+63+64+65+71+72+73+74)+1.	131=51+13.	137=16+36.	157=75+36.	186=102+37.
119=(61+66+67+68+69+75+76+77+78)+1.	132=62+13.	138=84+(31+62).	158=84+(31+62).	187=102+37.
120=101+1.	133=63+15.	139=101+51+67.	159=105+104.	188=102+37.

ITEM.	AMOUNT.	PER CENT.	ITEM.	AMOUNT.
(a)	(b)	(c)	(d)	(e)
1 Average mileage of road operated,† (miles).	7,661.61			
TRAIN-MILES.				
Freight—ordinary.	15,254,727		Mixed train—freight—loaded.	2,832,566
“ “—light.	124,835		“ “—empty.	3,424,257
“ “—total.	15,379,562		“ “—caboose.	111,964
Passenger.	15,737,676		“ “—exclusive work equipment.	29,344
Mixed.	787,010		“ “—passenger.	1,162,853
Special.	6,329		“ “—sleeping, parlor, and observation.	1,297
Total transportation service.	31,910,077		“ “—dining.	—
Work service.	665,048		“ “—other passenger train.	53,506
LOCOMOTIVE-MILES.			“ “—total.	5,635,737
Freight—principal.	15,379,262		Special train—freight—loaded.	62,606
“ “—helper.	266,471		“ “—empty.	3,495
“ “—light.	139,192		“ “—caboose.	5,204
“ “—total.	15,783,925		“ “—exclusive work equipment.	—
Passenger—principal.	15,658,235		“ “—passenger.	1,255
“ “—helper.	41,016		“ “—sleeping, parlor, and observation.	19,295
“ “—light.	130,042		“ “—dining.	383
“ “—total.	15,829,293		“ “—other passenger train.	2,278
Mixed train—principal.	787,010		“ “—total.	94,496
“ “—helper.	450		Total transportation service.	609,814,461
“ “—light.	21,192		Work service.	1,848,280
“ “—total.	808,652		Freight revenue.	26,255,424
Special—principal.	6,394		“ “—nonrevenue freight.	5,423,146
“ “—helper.	—		“ “—total.	30,678,570
“ “—light.	5,394		Ton miles—revenue freight.	6503,481,820
“ “—total.	1,059,235		“ “—nonrevenue freight.	1,022,570,015
Train switching—freight.	5,466,649		“ “—total.	7,526,051,835
Yard switching—freight.	439,718		Passenger service.	18,632,166
“ “—passenger.	5,906,367		Passenger miles—revenue.	920,174,670
“ “—total.	39,393,866		REVENUES AND EXPENSES.	
Total transportation service.	665,048		Freight revenue,†	93,196,646,25
Work service.	—		Passenger revenue,†	29,378,740,11
CAR-MILES.			Passenger service train revenue,†	36,021,753,36
Freight train—loaded.	325,970,102		Operating revenues,†	131,766,857,60
“ “—empty.	165,980,512		“ “—expenses,†	107,170,333,65
Sum of loaded and empty.	491,950,614		Net operating revenues,†	24,596,523,95
Freight train—caboose.	15,292,560		AVERAGES PER MILE OF ROAD.	
“ “—exclusive work equipment.	6,096,941		Freight—train miles.	2,007
“ “—total.	513,340,015		Passenger—train miles.	2,054
Passenger train—passenger.	37,293,013		Mixed—train miles.	103
“ “—sleeping, parlor, and observation.	23,091,912		Special—train miles.	1
“ “—dining.	3,479,903		Transportation service—train miles.	4,165
“ “—other.	26,872,535		Locomotive—miles—transportation.	87
“ “—total.	90,744,163			5,142

† Two decimal places required.

SEE ALSO RAILWAY COMPANIONS—OPERATING—A

703

831. STATISTICS OF RAIL-LINE OPERATIONS WITHIN THE STATE.

Give the various statistical items called for concerning the rail-line operations of respondent's road during the year. If the respondent for its own purposes uses more accurate methods than are provided below for computing the various items, the more accurate figures should be given in the returns; and the method of computing each average should be indicated in a footnote. Train-miles, locomotive-miles, car-miles, passenger-car-miles, and other car-miles, and other items, should be stated in the form given below should be stated in a measure at the foot of the next page. If items 11-15 and 51-57 include any motor car or trailer miles, a footnote showing the extent of such mileage included in each item should be inserted on page 805.

INSTRUCTIONS REGARDING VARIOUS ITEMS.

The items are designated hereunder by the numbers attached to them in the table.

1 includes road operated under trackage rights.

92 includes only that nonrevenue freight which is hauled on transportation trains.

93 relates to the freight included in 92.

103 is the aggregate of revenue accounts Nos. 102 to 109, inclusive. (See page 302.)

111 = 13 + 1.
112 = 14 + 1.
113 = 15 + 1.
114 = 16 + 1.
115 = 17 + 1.
116 = 18 + 1.
117 = 19 + 1.
118 = 20 + 1.
119 = 21 + 1.
120 = 22 + 1.

121 = 103 + 1.
122 = 104 + 1.
123 = 105 + 1.
124 = 106 + 1.
125 = 107 + 1.
126 = 108 + 1.
127 = 109 + 1.
128 = 110 + 1.
129 = 111 + 1.
130 = 112 + 1.

131 = 103 + 1.
132 = 104 + 1.
133 = 105 + 1.
134 = 106 + 1.
135 = 107 + 1.
136 = 108 + 1.
137 = 109 + 1.
138 = 110 + 1.
139 = 111 + 1.
140 = 112 + 1.

141 = 103 + 1.
142 = 104 + 1.
143 = 105 + 1.
144 = 106 + 1.
145 = 107 + 1.
146 = 108 + 1.
147 = 109 + 1.
148 = 110 + 1.
149 = 111 + 1.
150 = 112 + 1.

Item No.	Item (a)	Amount (b)	Item No.	Item (c)	Amount (d)
1	Average mileage of road operated, †	2,384.29	68	Mixed train—freight loaded,	1,403.071
11	Freight—ordinary, Train-miles.	4,030.633	69	" " " " empty,	587.572
12	" " " " light,	20.397	70	" " " " caboose,	98.769
13	" " " " —total,	4,051.030	71	" " " " —exclusive work equipment,	18,970
14	Passenger,	4,048.523	72	" " " " —passenger,	593.277
15	Mixed,	392.366	73	" " " " —sleeping, parlor, and observation,	81
16	Special,	1.594	74	" " " " —other passenger-train,	6,735
17	Total transportation service,	8,493.513	75	" " " " —total,	2,708.425
18	Work service,	137.797	76	Special train—freight loaded,	25,401
21	Freight—principal,	4,051.030	77	" " " " —empty,	1,626
22	" " " " —helper,	75.826	78	" " " " —exclusive work equipment,	8,141
23	" " " " —light,	45,433	79	" " " " —passenger,	3,5168
24	" " " " —total,	4,172.289	80	" " " " —sleeping, parlor, and observation,	149,317.997
25	Passenger—principal,	4,037.118	81	" " " " —dining,	4,80,133
26	" " " " —helper,	5,218	82	" " " " —other passenger-train,	9,901.041
27	" " " " —light,	19,389	83	" " " " —total,	1,454,254.784
28	" " " " —total,	4,061.725	84	Total transportation service,	3,929.241
29	Mixed train—principal,	392.366	85	Work service,	119,317.997
30	" " " " —helper,	—	86	Freight service,	4,80,133
31	" " " " —light,	16,537	87	Tons—revenue freight,	9,901.041
32	" " " " —total,	408,903	88	" " " " —nonrevenue freight, <i>See Note # 2</i>	1,454,254.784
33	Special—principal,	1,619	89	" " " " —total,	3,929.241
34	" " " " —helper,	—	90	Passenger service,	119,317.997
35	" " " " —light,	1,619	91	Freight revenue, †	20,386.420.25
36	" " " " —total,	1,619	92	Passenger revenue, †	7,481,088.74
37	Train switching,	517.285	93	Operating revenues, †	9,205,983.47
38	Yard switching, freight,	1,049,836	94	Net operating revenues, †	3,035,717.80
39	" " " " —passenger,	111,759	95	Average per mile of road,	2,410,918.87
40	" " " " —total,	1,161,595	96	Freight-train miles,	1,773
41	Total transportation service,	10,323,486	97	Passenger-train miles,	1,772
42	Work service,	137.797	98	Mixed-train miles,	172
51	Freight train—loaded, Car-miles.	78,115.737	99	Special-train miles,	1
52	" " " " —empty,	41,205,813	100	Transportation service train miles,	3,718
53	Sum of loaded and empty,	119,321,550	101	Work-train miles,	60
54	Freight train—caboose,	4,143,291	102	Locomotive miles—transportation,	4,519
55	" " " " —exclusive work equipment,	1,342,770	103		
56	" " " " —total,	124,807,611	104		
57	Passenger train—passenger,	8,792,678	105		
58	" " " " —sleeping, parlor, and observation,	5,105,184	106		
59	" " " " —dining,	894,135	107		
60	" " " " —other,	6,974,806	108		
61	" " " " —total,	21,766,793	109		

[fol. 704]

EVIDENCE: EXHIBIT W

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity.

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Complainant,

vs.

NATHAN E. KENDALL, Governor of Iowa, et al., Defendants.

*Affidavit of E. G. Nourse Concerning the Earnings from Farm Lands
in the State of Iowa*

STATE OF IOWA,

Story County, ss:

I, E. G. Nourse, under oath depose and state:

1. That I am a resident of Ames, Iowa; that I am Chief of the Section of Agricultural, Economics and Farm Management of the Iowa Agricultural Experiment Station, and that in such capacity I have conducted investigations into farm accounting and cost of production in the State of Iowa, and have directed the accumulation and compilation of operating data on all of the elements entering into the operation of Iowa farms, and that I have concentrated the greater portion of my time on such matters in the State of Iowa and elsewhere.

2. That affiant has in his office detailed financial statements which show the results of the farm business as a whole upon each of the farms under observation and supervision; that such financial statements show the source and amount of the direct farm income in the form of cash receipts, in withdrawals for household and personal use and in inventory increases; the actual farm expenses in the nature of direct cash outlay, depreciation of physical capital and contributions [fol. 705] to the business from the farmer's household, such as board for hired men; and that such financial statements and reports show the net income and net losses to the business as a whole. That there has been determined under my direction the prevailing scale of wages for farm labor, and that such scale has been applied to the hours consumed in farm work, and that the department has computed and entered in its books of account the amount chargeable against each farm under its supervision for labor.

3. That the crop and live stock produce used in the household is credited to the business at a conservative rate, based on their market value at the time of use; that the use of horses and machinery in gardening and in purely personal uses are credited to the business at

the same rate at which they are charged against the farm enterprises, namely, at cost; that there is an item known as "crops in process," which covers the value of work and other expenditures put upon preparation for the next season's crops. Such item is credited as increase in inventory in the same way as live stock produced during the year, but not yet marketed, is credited. That in the expense item the automobile, if any owned by the farmer is considered a personal, rather than a business, expense, but that it renders the farm business considerable service and the business is, therefore, charged with this service at cost. That the allowance for interest on capital not borrowed is determined by taking the total investment in the business and deducting therefrom the amount of borrowed funds, which gives the farmer's net investment on the portion of this representative investment in equipment, live stock and supplies. Interest is allowed at the prevailing bank rate on short time loans, 8%. The weight of evidence seems to be that good Iowa farm lands are valued over a period of years on a basis which permits of their returning only about [fol. 706] $3\frac{1}{2}\%$ to $3\frac{1}{2}\%$ to the investor. Therefore the investment in real estate is given an interest allowance at $3\frac{1}{2}\%$. In appraising the value of land for inventory purposes, this department exercised great care so as not to include the artificial inflation due to the war and post war boom.

4. That from all of these reports and records on file with this department, affiant believes that farm lands on the average throughout the state of Iowa were operated during the years 1920 and 1921 at a material loss, and that the farms under the supervision and surveillance of this department were more than average farms and were operated by more than average farmers, and that such financial losses in farm operations during those years was due to the high cost of production, due to high freight rates and high cost of farm operating materials and equipment and to the low return in prices on farm products and commodities. It is the belief of this affiant that the cost of producing farm products and commodities during 1920 and 1921 greatly exceeded the market return on such products and commodities. That in order to show the exact condition of farm operations in the state of Iowa, this affiant has had prepared under his direction this series of exhibits in such manner as to show the general financial statements of the farms supervised and included in the records of this office. Such exhibits are divided into three parts—the cash rented farms—the share rented farms—and the owner operated farms.

5. The following is a brief outline of the above described exhibits:

EXHIBIT "A"

Exhibit "A" is a general financial statement of the cash rented farms operated under the surveillance of this department during the year 1921. For each farm operated the exhibit shows the assigned number, the total number of acres farmed, the total income, the total

[fol. 707] expense, the net receipts, the allowance for labor, interest on investment and the deficit accruing to each of said farms. The totals are shown for all of the six farms under each respective heading. Exhibit "A" shows an operating loss per acre on cash rented farms of \$9.94. Besides this operating loss there would be to the owner of the land certain holding charges such as depreciation of buildings, insurance, repairs and cost of grass seed, which average \$2.15 per acre on 63 cash rented farms studied by the Iowa Experiment Station. This leaves a loss of \$3.09 as compared with return of \$5.00 from \$125.00 invested in 4% bonds.

EXHIBIT "B"

Exhibit "B" is a compiled general financial statement of the share rented farms operated under the surveillance of this department during the year 1921. It shows the same items as does Exhibit "A" and an operating return per acre of \$2.47. However, the owner of such land would have carrying charges for repairs, depreciation, insurance, grass seed, etc., amounting to \$2.30 per acre as found on 21 share-rented farms in this vicinity studied by the Iowa Experiment Station. This would leave only 17¢ per acre net return out of which to pay taxes, and may be compared with the tax-exempt return of \$5.00 from each \$125.00 invested in 4% bonds.

EXHIBIT "C"

Exhibit "C" is a general financial statement of the owner operated farms supervised by this department during the year 1921, and shows the items for each farm as in Exhibits "A" and "B." The average operating return per acre as disclosed by this exhibit is \$1.56, out of which to pay taxes and interest on investment. The exhibit also shows the computation of what the aggregate of the farms would earn were the capital invested, allowing \$125.00 to the acre, invested [fol. 708] in tax exempt securities yielding 4%, which figure per acre amounts to a return of \$5.00. Including actual interest on mortgages and only 3½% on their own equity, these owners had a deficit of \$9.20 per acre. If this is added to the net return per acre, if the money was invested in tax exempt securities yielding 4%, which amounts to \$5.00, the average farmer has lost on every \$125.00 invested in farm lands the sum of \$14.20.

EXHIBIT "D"

Exhibit "D" shows a financial statement of an aggregate of eighteen better than average Iowa farms operated during the year 1921. These particular eighteen farms were selected because the book accounts kept by the farmers were the most complete and systematic and show business ability so far as the book work is concerned. These eighteen farms comprise 4,160 acres assessed by the assessor at an average actual value per acre of \$94.18, which indicates that these farms are better than the average Iowa farms; the average assessed

value being \$76.00 per acre as determined by the Executive Council for the year 1921. It is shown by this exhibit that the net income per acre, not allowing for taxes nor interest returned on the investment in the land, is \$1.11. This net return is 1.173 per cent of the actual value as determined by the assessor. Placing the value of \$125.00 per acre on the aggregate acreage of these farms, we have a total value of \$520,000.00. The net return, not including allowance for taxes or interest returned on land investment, is .887 per cent of such total value. If this land capital of \$520,000.00 were invested in tax exempt securities yielding 4%, it would yield an income of \$20,800.00, thus making a yield per acre of \$5.00. So that these figures may be checked from the original records on file in my office, I have indicated in the exhibit the numbers of the respective farms whose financial statements are compiled in Exhibit "D."

[fol. 709]

EXHIBIT "E"

Exhibit "E" is a general aggregate compilation of the financial statements of twenty-three better than average Iowa farms operated during the year 1920. This exhibit shows a total acreage for these twenty-three farms of 5,073 $\frac{1}{2}$ acres. The net income during 1921 from these twenty-three farms, not allowing for taxes nor interest returned on land invested, is \$7,005.68, showing a net income per acre on this basis of \$1.38. This land was assessed on the average of \$88.50 per acre. On that assessed value the return is .114 per cent. Placing a value of \$125.00 per acre on these lands, we have a total investment in land of \$634,187.50. The net return for the year 1921, not including taxes nor interest returned from the land investment, is .110 per cent. If this aggregate value were invested in tax exempt securities yielding 4%, it would bring a return of \$25,367.10

[fol. 710] Wherefore: Affiant states that farm lands in Iowa during the years 1920 and 1921 were operated at a considerable loss to the operators, and that such a conclusion is reached by reason of a close analysis and study of farm accounting and cost of production in Iowa during those years and from the reports and surveys and records of farm operations on file with this department.

E. G. Nourse, Chief Agricultural Economics and Farm Management Section of the Iowa Agricultural Experiment Station.

Subscribed and sworn to before me by E. G. Nourse this 21st day of October, 1922. A. J. Martin, Notary Public.

Iowa Farms

General Financial Statement

Cash Rented farms

Farm No.	No. acres	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit or surplus
No. 25	270	\$6,570.83	\$5,143.33	\$1,427.50	\$1,000.00	\$574.99	\$—147.49
No. 30	139	3,200.70	3,125.52	75.18	750.00	263.33	—968.15
No. 21	160	3,758.08	3,484.05	274.03	950.00	309.57	—985.54
No. 11	160	3,692.43	4,424.73	—732.30	795.00	360.47	—1,887.77
No. 10	240	5,333.54	5,740.58	—407.04	1,080.00	712.68	—2,199.72
No. 13	320	9,481.76	9,905.79	—424.03	1,010.00	1,401.73	—2,335.76
Total	1,289	\$32,037.34	\$31,824.00	\$213.34	\$5,615.00	\$3,622.77	\$—9,024.43
			Loss cash rent paid				7,819.00
			Net operating loss				\$1,205.43
Operating Loss per acre							\$, 94
Value of 1,289 acres at \$425 per acre							\$161,124.00
Income if invested in tax exempt securities yielding 4%							\$6,445.00

NOTE.—The data here given was compiled and secured under the supervision of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa. The figures are

General Financial Statement—Continued

the result of careful records kept by the farmers, aided by a trained field man, instead of being derived from the estimates made by the farmers at the end of the year, as in the survey method. The method here used is known as the Route Method. Each co-operating farmer is given a book of original entry in which he records all his cash transactions, the hours of labor, the amount of horse and machinery used on each of the various crops and live stock enterprises, as well as the amount of feeds going to the different classes of live stock; and which, with the aid of the field man, is entered a detailed inventory of the farm property with the rates and amounts of depreciation of the various buildings, implements and farm animals. The field man visits each of these co-operating farmers frequently to advise them in their record-keeping and to check their entries, so that all the figures shall be as accurate as possible. At the close of the year the farmers' books are collected by the field man, and their original entries are posted into a set of ledger accounts, from which the financial statements, the losses or gains on specific enterprises, and the cost figures, as given in this report, are derived.

Authority: Records and books of Account on file in the office of the Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa.

EXHIBIT "B" TO NOURSE'S AFFIDAVIT

Iowa Farms

General Financial Statement

Share-Rented Farms

Farm No.	No. acres	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit or surplus
No. 17	280	\$8,426.20	\$6,292.11	\$2,134.09	\$720.00	\$511.69	\$902.40
No. 12	170	2,707.24	1,365.21	1,402.00	687.20	71.08	643.72
No. 34	160	3,198.51	2,398.05	800.46	548.73	217.70	34.03
No. 26	217½	3,558.94	2,917.73	841.21	720.00	239.25	118.04
No. 20	240	6,898.20	6,273.81	624.39	865.00	467.39	708.00
No. 31	400	5,727.74	6,918.20	1,220.46	1,090.00	361.00	2,672.39
No. 36	245	6,246.55	9,233.07	2,986.52	936.00	399.70	1,332.22
Total	1,720.5	\$36,963.35	\$35,368.18	\$1,595.17	\$5,566.93	\$2,216.74	\$6,240.50

Value of landlords' share, 10,496.59

Net operating return, 4,256.09

Return per acre from operation, \$2.47

Value of 1,720 acres at \$125 per acre, \$215,000.00

Income if invested in tax exempt securities yielding 4%, \$8,602.50

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "A."

EXHIBIT "C" TO NOTICE'S AFFIDAVIT

[fol. 713]

Iowa Farms

General Financial Statement

Owner Farms

Farm No.	No. acres	Income	Expense	Net receipts	Labor allowance	Interest allowed	Deficit or surplus
No. 2	160	\$4,652.40	\$2,895.02	\$1,757.38	\$920.00	\$1,311.66	\$445.70
No. 8	240	7,672.40	3,891.23	3,780.51	940.00	2,424.27	356.24
No. 22	160	6,216.73	3,334.35	2,882.35	840.00	2,138.13	—95.75
No. 16	240	9,499.64	8,257.19	1,242.45	1,500.00	590.60	—478.15
No. 5	252	9,313.13	8,646.63	666.50	960.00	830.55	—1,124.05
No. 7	120	2,966.56	1,796.10	1,170.46	840.00	1,459.91	—1,129.45
No. 35	80	2,243.01	1,443.77	799.24	1,320.00	896.81	—1,417.57
No. 24	160	11,884.98	10,140.63	1,744.35	1,722.50	1,990.37	—1,968.52
No. 34	160	3,467.31	4,663.58	1,196.27	601.27	1,122.01	—2,919.55
No. 3	320	10,047.19	6,910.69	3,136.50	2,200.00	4,139.95	—3,203.45
No. 14	180	5,565.37	7,316.25	1,750.91	1,230.00	1,181.11	—4,162.02
No. 19	409	6,226.05	4,756.63	1,469.42	2,175.00	3,782.40	—4,487.98
No. 23	199	7,063.33	10,631.97	3,568.55	1,440.00	1,033.74	—6,042.32
Owned	2,200	\$41,112.17	\$24,174.74	\$16,937.40	\$16,174.74	\$21,961.73	\$2,536.90
Rented	211						
	2,891						

Deduct land charges.....	31,121.71
Net Operating Return.....	4,524.21
Return per acre from operation.....	\$1.56
Value of 2,680 acres at \$125 per acre.....	\$335,000.00
Income if invested in tax exempt securities yielding 4 %	13,400.00

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "A."

[fol 714] EXHIBIT "D" TO NOURSE'S AFFIDAVIT

Iowa Farm Operations

Aggregate Accounts for 1921 on Eighteen Better Than Average Iowa Farms

Number of farms	18
Acreage reported	4,160
Acreage reported	\$393,048.00
Average "actual value" per acre	\$94.48
Net income of these eighteen farms after paying hired man's wages to operator, but no taxes nor return to land	\$4,613.18
Net income per acre	\$1.11
Percentage which this net return is of the assessor's "actual value"	1.173%
Total value of eighteen farms (4160 acres) at \$1.25 per acre	\$520,000.00
Percentage which net return of \$4,613.18 is of above value .....	.887%
Income on \$520,000 if invested in tax exempt securities yielding 4%	\$20,800.00
Income on \$125 invested in tax exempt securities yielding 4%	\$5.00

*NOTE.—These eighteen farms are located in one of the best farming areas of the State and represent conditions somewhat better than the average. The record numbers assigned to the farms used in compiling the above figures are as follows: 3, 7, 8, 10, 13, 14, 16, 17, 20, 22, 23, 24, 25, 30, 31, 34, 35, and 36.

The data here given was compiled and secured under the supervision of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa. The figures are the result of careful records kept by the farmers, aided by a trained field man, instead of being derived from the estimates made by the farmers at the end of the year, as in the survey method. The method here used is known as the Route Method. Each co-operating farmer is given a book of original entry in which he records all his cash transactions, the hours of labor, the amount of horse and machinery used on each of the various crops and live stock enterprises, as well as the amount of feeds going to the different classes [fol 715] of live stock; and which, with the aid of the field man, is entered — a detailed inventory of the farm property with the rates and amounts of depreciation of the various buildings, implements and farm animals. The field man visits each of these co-operating farmers frequently to advise them in their record keeping and to check their entries, so that all the figures shall be as accurate as possible. At the close of the year the farmers books are collected by the field man and their original entries are posted into a set of ledger ac-

counts, from which the financial statements, the losses or gains on specific enterprises, and the cost figures as given in this report are derived.

Authority: Records and Books of Account on file in the office of the Chief of the Section of Agricultural Economics and Farm Management of the Iowa Agricultural Experiment Station at Ames, Iowa.

[fol. 716] EXHIBIT "E" TO NOURSE'S AFFIDAVIT

Iowa Farm Operations

Aggregate Accounts for 1920 on Twenty-three Better than Average Iowa Farms

Number of farms	23
Acreage reported	5073½
"Actual value" as shown by assessor	\$149,002.00
Average "actual value" per acre	\$88.50
Net income of these twenty-three farms after paying hired man's wages to operator, but no taxes nor return to land	\$7,005.68
Net income per acre	\$1.38
Percentage which this net return (loss) is of the as- essor's "actual value" .....	.144%
Total value of twenty-three farms (5073½ acres) at \$125.00	\$634,187.50
Percentage which net return of \$7,005.68 is of above value .....	.110%
Income on \$634,187.50 invested in tax exempt secur- ities yielding 4%	\$25,367.10
Income on \$125 invested in tax exempt securities yielding 4%	\$5.00

NOTE.—The foregoing data was secured in the same method and manner as that described on Exhibit "D".

Part One of Three Parts

INTERSTATE COMMERCE COMMISSION

Washington, D. C.

Valuation Docket, No. 152

August 1, 1921.

The Honorable

The Attorney General of the United States;

The Honorable

The Governor of Arkansas,
Little Rock, Ark.;

The Honorable

The Governor of Colorado,
Denver, Colo.;

The Honorable

The Governor of Illinois,
Springfield, Ill.;

The Honorable

The Governor of Iowa,
Des Moines, Ia.;

The Honorable

The Governor of Kansas,
Topeka, Kans.;

The Honorable

The Governor of Louisiana,
Baton Rouge, La.;

The Honorable

The Governor of Minnesota,
St. Paul, Minn.;

The Honorable

The Governor of Missouri,
Jefferson City, Mo.;

The Honorable

The Governor of Nebraska,
Lincoln, Nebr.;

The Honorable

The Governor of New Mexico,
Santa Fe, N. Mex.;

The Honorable

The Governor of Oklahoma,
Oklahoma City, Okla.;

The Honorable

The Governor of South Dakota,
Pierre, S. Dak.:

The Honorable

The Governor of Texas,
Austin, Tex.:

Arkansas Corporation Commission,
Little Rock, Ark.:

[fol. 718] Public Utilities Commission of Colorado,
Denver Colo.:

Public Utilities Commission,
Springfield, Ill.:

Board of Railroad Commissioners,
Des Moines, Ia.:

Court of Industrial Relations,
Topeka, Kans.:

Railroad Commission of Louisiana,
Baton Rouge, La.:

Minnesota Railroad & Warehouse Commission,
St. Paul, Minn.:

Public Service Commission,
Jefferson City, Mo.:

Nebraska State Railway Commission,
Lincoln, Nebr.:

State Corporation Commission of New Mexico,
Santa Fe, N. Mex.:

Corporation Commission of Oklahoma,
Oklahoma City, Okla.:

South Dakota Board of Railroad Commissioners,
Pierre, S. Dak.:

Railroad Commission of Texas,
Austin, Tex.:

The Chicago, Rock Island and Pacific Railway Company,
1103 La Salle Street Station,
Chicago, Ill.,

Care of Frank Nay, Vice President and Comptroller:

Keokuk & Des Moines Railway Company,
1110 La Salle Street Station,
Chicago, Ill.,

Care of Frank Nay, Comptroller:

Choctaw, Oklahoma and Gulf Railroad Company,

1110 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

Rock Island, Arkansas and Louisiana Railroad Company,

1106 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

St. Paul and Kansas City Short Line Railroad Company,

1106 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

Rock Island and Dardanelle Railway Company,

1106 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Vice President and Comptroller;

[tel. 715] Rock Island, Stuttgart and Southern Railway Company,

1110 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

Rock Island, Memphis Terminal Railway Company,

122 West Van Buren Street,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

The Peoria and Bureau Valley Railroad Company,

1110 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

White & Black River Valley Railway,

Little Rock, Ark.,

Care of C. P. Perrie, Secretary;

The Chicago, Rock Island and Gulf Railway Company,

Majestic Building,

Fort Worth, Tex.,

Care of Henry Lucas, Auditor;

Morris Terminal Railway Company,

1110 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Comptroller;

Chicago, Rock Island and Pacific Railroad Company,

1106 La Salle Street Station,

Chicago, Ill.,

Care of Frank Noy, Vice President and Comptroller
of The Chicago, Rock Island and Pacific Railway
Company;

Arkansas & Memphis Railway Bridge & Terminal Company,
1106 La Salle Street Station,
Chicago, Ill.,

Care of Frank Noy, Auditor;

The Atchison, Topeka and Santa Fe Railway Company,
80 East Jackson Boulevard,
Chicago, Ill.,

Care of W. E. Bailey, General Auditor;

The Baltimore and Ohio Chicago Terminal Railroad Company,
Baltimore, Md.,

Care of The Baltimore and Ohio Railroad Company, W. D.
Owens, Auditor;

The Chicago and Alton Railroad Company,
900 Transportation Building,
608 So. Dearborn Street,
Chicago, Ill.,

Care of L. S. Benson, Comptroller;

Chicago and North Western Railway Company,
226 West Jackson Boulevard,
Chicago, Ill.,

Care of L. A. Robinson, Comptroller;

[Vol. 720] Chicago and Western Indiana Railroad Company,
201 Dearborn Station,
Chicago, Ill.,

Care of R. L. Potter, Auditor & Secretary;

Chicago, Burlington & Quincy Railroad Company,
517 West Jackson Boulevard,
Chicago, Ill.,

Care of C. E. Sturgis, Comptroller;

Chicago, Great Western Railroad Company,
Grand Central Station,
Chicago, Ill.,

Care of Con. F. Krebs, General Auditor;

Chicago, Milwaukee and St. Paul Railway Company,
1201 Railway Exchange Building,
Chicago, Ill.,

Care of G. J. Bunting, Comptroller;

Chicago, Saint Paul, Minneapolis and Omaha Railway Company,
275 East Fourth Street,
St. Paul, Minn.,

Care of C. Jensch, Comptroller;

Dubuque and Sioux City Railroad Company,
135 E. 11th Place,
Chicago, Ill.,

Care of M. P. Blauvelt, Vice President;

- Great Northern Railway Company,
825 Great Northern Building,
St. Paul, Minn.,
Care of George H. Hess, Jr., Comptroller;
- Illinois Central Railroad Company,
135 East 11th Place,
Chicago, Ill.,
Care of M. P. Blauvelt, Vice President;
- Kansas City Terminal Railway Company,
Union Station,
Kansas City, Mo.,
Care of W. D. Tucker, Auditor;
- The Kansas Southwestern Railway Company,
Topeka, Kans.,
Care of R. L. Harris, Auditor;
- The Michigan Central Railroad Company,
466 Lexington Avenue,
New York, N. Y.,
Care of W. C. Wishart, Comptroller;
- The Minneapolis & St. Louis Railroad Company,
Transportation Building,
Minneapolis, Minn.,
Care of W. C. Knudde, Corporate Auditor;
- Missouri, Kansas and Texas Railway Company,
1569 Railway Exchange Building,
St. Louis, Mo.,
Care of J. T. Mahaney, Auditor;
- [fol. 721] The Missouri Pacific Railway Company,
611 Olive Street,
St. Louis, Mo.,
Care of F. P. Johnson, General Auditor;
- The New York Central Railroad Company,
466 Lexington Avenue,
New York, N. Y.,
Care of W. C. Wishart, Comptroller;
- Quincy, Omaha & Kansas City Railroad Company,
547 West Jackson Boulevard,
Chicago, Ill.,
Care of F. S. Bagg, Auditor;
- Rock Island-Frisco Terminal Railway Company,
Frisco Building,
St. Louis, Mo.,
Care of E. H. Bunnell, Auditor;

St. Joseph Union Depot Company,

404 South 3rd Street,

St. Joseph, Mo.,

Care of C. M. Carter, Secretary and Treasurer;

St. Louis Southwestern Railway Company,

1769 Railway Exchange Building,

St. Louis, Mo.,

Care of R. D. Cobb, General Auditor;

St. Louis Merchants Bridge Terminal Railway Company,

Union Station,

St. Louis, Mo.,

Care of C. A. Vinneedge, Auditor;

St. Louis-San Francisco Railway Company,

Frisco Building,

St. Louis, Mo.,

Care of E. H. Bunnell, General Auditor;

Union Pacific Railroad Company,

120 Broadway,

New York, N. Y.,

Care of H. S. Bradt, Assistant Comptroller;

The Wabash Railway Company,

Railway Exchange Building,

St. Louis, Mo.,

Care of L. G. Scott, Vice President and Comptroller;

The Waterloo, Cedar Falls & Northern Railway Company,

Waterloo, Ia.,

Care of L. S. Cass, President and Treasurer;

The Wichita Falls and Northwestern Railway Company of Texas,

Dallas, Tex.,

Care of O. H. Bower, Auditor;

You are hereby notified that the Interstate Commerce Commission has completed the tentative valuations of the properties of The Chicago, Rock Island and Pacific Railway Company; Keokuk and Des Moines Railway Company; Choctaw, Oklahoma and Gulf Railroad Company; Rock Island, Arkansas, and Louisiana Railroad Company; St. Paul and Kansas City Short Line Railroad Company; Rock Island and Dardanelle Railway Company; Rock Island, Stuttgart and Southern Railway Company; Rock Island Memphis Terminal Railway Company; The Peoria and Bureau Valley Railroad Company; White & Black River Valley Railway; The Chicago, Rock Island and Gulf Railway Company; Morris Terminal Railway Company; and Chicago, Rock Island and Pacific Railroad Company; as of June 30, 1915, and that said valuations are set forth in the tentative valuation report which is included in the order adopting the same, a copy of which is attached to this notice and made a part hereof.

You are requested to file with the Commission at its office in Washington on or before thirty (30) days from the 15th day of September, 1921, any protest which you may desire to make to such valuation or to any part of such valuation.

You will file in connection with such protest specification setting forth in detail each particular thing against which the protest is directed.

You are further required to transmit a copy of such protest to each of the other parties to whom this notice is addressed and to file with the Commission for its official use twenty-five (25) additional copies of the same.

By the Commission, Division 1,

George B. McGinty, Secretary.

[fol. 723]

Order

At a Session of the Interstate Commerce Commission, Division 1,
Held at Its Office, in Washington, D. C., on the 1st Day of August,
A. D. 1921.

Valuation Docket, No. 152

The Chicago, Rock Island and Pacific Railway Company; Keokuk and Des Moines Railway Company; Choctaw, Oklahoma and Gulf Railroad Company; Rock Island, Arkansas and Louisiana Railroad Company; St. Paul and Kansas City Short Line Railroad Company; Rock Island and Dardanelle Railway Company; Rock Island, Stuttgart and Southern Railway Company; Rock Island Memphis Terminal Railway Company; The Peoria and Bureau Valley Railroad Company; White and Black River Valley Railway; The Chicago, Rock Island and Gulf Railway Company; Morris Terminal Railway Company; and Chicago, Rock Island and Pacific Railroad Company.

It is ordered, That the following be, and they are hereby declared to be, the tentative valuations of the properties of The Chicago, Rock Island and Pacific Railway Company; Keokuk and Des Moines Railway Company; Choctaw, Oklahoma and Gulf Railroad Company; Rock Island, Arkansas and Louisiana Railroad Company; St. Paul and Kansas City Short Line Railroad Company; Rock Island and Dardanelle Railway Company; Rock Island, Stuttgart and Southern Railway Company; Rock Island Memphis Terminal Railway Company; the Peoria and Bureau Valley Railroad Company; White and Black River Valley Railway; The Chicago, Rock Island and Gulf Railway Company; Morris Terminal Railway Company; and Chicago, Rock Island and Pacific Railroad Company, as of June 30, 1915.

Abbreviated Names.—Throughout this report, The Chicago, Rock Island and Pacific Railway Company is referred to as the carrier, and all of its affiliated and predecessor companies are called by some convenient short title. The full corporate name of such companies is given in a schedule of short title found at the close of this report.

The Chicago, Rock Island and Pacific Railway Company

Location and General Description of Property.—The railroad of the carrier is a standard gauge, steam railroad, located in the states of Illinois, Iowa, Minnesota, South Dakota, Nebraska, Missouri, Kansas, Colorado, Arkansas, Oklahoma and New Mexico. Besides lines owned and operated in these states, the carrier operates, under lease, lines located in Illinois, Iowa, Minnesota, Kansas, Arkansas, Oklahoma and Louisiana. Other lines located in Illinois and Texas are operated independently, by companies, all of the capital stock of which is owned by the carrier, and are regarded as part of the Rock Island System.

The principal main lines extend as follows:

[fol. 724] Chicago, Ill., via Omaha, Nebr., to Colorado Springs, Colo.;

Davenport, Ia., via Kansas City, Mo., to Santa Rosa, N. Mex.;

St. Louis, Mo., via Kansas City, Mo., to Belleville, Kans.;

Kansas City, Mo., to St. Paul, Minn.;

Keokuk, Ia., to Watertown, S. Dak.;

Memphis, Tenn., to Tucumcari, N. Mex.;

Herington, Kans., to Dallas, Tex.

The mileage of lines wholly and jointly owned, and of lines used but not owned by the carrier, is shown in detail in Appendix 1, and may be summarized as follows:

	Miles of first main track	Miles of all tracks
Wholly owned and used,	5,342	7,265
Jointly owned and used, Undivided mileage, . .	13	73
Used but not owned:		
Wholly owned by lessor companies,	1,863	2,421
Jointly owned by nonoperating lessor companies, undivided mileage, . . . . .	....	4
Total used by the carrier, including un- divided mileage of jointly owned property	7,218	9,763

The carrier operates car shops at Blue Island, Ill., freight terminals at Peoria, Ill., and Cedar Rapids, Ia., and certain rolling stock, all of which is owned by the Improvement Company.

The carrier uses the tracks of other carriers to secure entrance into St. Paul and Minneapolis, Minn., Kansas City and St. Louis, Mo., Denver and Pueblo, Colo., Memphis, Tenn., and Omaha, Nebr.

Jointly Used Property.—A statement of the common-carrier property, other than land, which the carrier owns and uses jointly with other carriers, is given elsewhere in this order, under the caption cost of reproduction new, and cost of reproduction less depreciation.

In Appendix 2, under the caption Leased Railway Property, will be found a statement showing the property used jointly with other companies, but not jointly owned, and the terms of the use.

Traffic Connections.—The main points at which the carrier interchanges traffic with other railroads are set forth in Appendix 3.

Physical Conditions Affecting Construction.—In Appendix 4 appear statements as to the topography, geology and climate affecting the construction of the carrier's railroad.

Economic Conditions Relating to Traffic.—While the territory covered is devoted principally to agriculture, large industries are located at many points. Further information in this regard is given in Appendix 5.

Corporate History.—The carrier was incorporated under the general laws of Illinois and Iowa as a consolidation of the Great Pacific No. 1, [fol. 725] 2, the Iowa Southern, the Newton, the Atlantic, the Audubon and the Macedonia, of which the first three were each the successor of a number of predecessor corporations. Articles of consolidation were filed with the securities of state of Illinois and Iowa in 1880, on June 2 and 3, respectively.

Subsequently to this consolidation, the carrier acquired the property, rights and franchises of 19 other corporations, most of which were in turn the successor of one or more predecessors. The entire line of succession culminating in the carrier, as at present constituted, not including the companies controlled and operated by the carrier and their predecessors, involves a succession of 76 corporations, the dates of incorporation and demise of which, and the immediate succeeding corporation being as follows:

Predecessor company	Date of incorporation	Date of demise	Successor	Manner of succession
Pacific No. 2	Aug. 20, 1866	June 2, 1880	Carrier	Consolidation with 5 others (a).
Pacific No. 1	June 12, 1866	Aug. 20, 1866	Pacific No. 2	Consolidation with the Chicago, Sale.
Mississippi	Feb. 5, 1853	Aug. 6, 1866	Pacific No. 1	Consolidation with the Pacific No. 1.
Chicago (b)	Feb. 7, 1851	Aug. 20, 1866	Pacific No. 2	Consolidation with 5 others (a).
Iowa Southern	Aug. 29, 1876	June 2, 1880	Carrier	Consolidation with 5 others (a).
Indianola	June 9, 1870	Aug. 30, 1876	Iowa Southern	Sale.
Southwestern No. 2 (c)	Aug. 16, 1871	Nov. 1, 1876	Iowa Southern	Sale.
Atchison Branch	Nov. 29, 1870	Aug. 16, 1871	Southwestern No. 2	Consolidation with Southwestern No. 1.
South Western No. 1	Sept. 25, 1869	Aug. 16, 1871	Southwestern No. 2	Consolidation with Atchison Branch.
Southwestern of Iowa	May 21, 1869	Sept. 25, 1869	Southwestern No. 1	Consolidation with Southwestern of Missouri.
Southwestern of Missouri (d)	Jan. 4, 1860	Sept. 25, 1869	Southwestern No. 1	Consolidation with Southwestern of Iowa.
Winterset	Feb. 21, 1871	Oct. 23, 1879	Iowa Southern	Sale.
Newton	Aug. 25, 1877	June 2, 1880	Carrier	Consolidation with 5 others (a).

(a) Consolidation of the Pacific No. 2, Iowa Southern, Newton, Audubon, Atlantic and the Macevohle to form the carrier.
 (b) Name changed February 7, 1851, from The Rock Island and La Salle Rail Road Company to Chicago and Rock Island Rail Road Company.
 (c) Except Atchison Branch, which was sold first to trustees and then by trustees to the Iowa Southern.
 (d) Name changed February 12, 1861, from Platte County and Fort Des Moines Railroad Company to Platte City and Fort Des Moines Railroad Company; on August 3, 1867, to Leavenworth and Des Moines Railroad Company; and on March 3, 1868, to Chicago and Southwestern Railway Company.

Predecessor company	Date of incorporation	Date of demise	Successor	Manner of succession
North Pacific	Apr. 4, 1871	Aug. 25, 1877	Newton	Yale.
Audubon	June 20, 1878	June 2, 1880	Carrier	Consolidation with 5 others
[Vol. 726] Atlantic	Nov. 22, 1879	June 2, 1880	Carrier	(a). Consolidation with 5 others
Macedonia	Nov. 22, 1879	June 2, 1880	Carrier	(a). Consolidation with 5 others
St. Joseph	Jan. 22, 1877	Dec. 29, 1886	Carrier	(a) Yale.
Topeka	Mar. 10, 1887	Jan. 7, 1889	Carrier	Yale.
Fort Leavenworth	Aug. 2, 1871	Mar. 4, 1889	Carrier	Yale.
Keesauqua	Mar. 25, 1880	Jan. 25, 1890	Carrier	Yale.
Guthrie	Nov. 25, 1879	Sept. 3, 1890	Carrier	Yale.
Kansas 2	June 13, 1888	June 10, 1891	Carrier	Yale.
Colorado	Jan. 31, 1888	June 13, 1888	Kansas 2.	Consolidation with Kansas 1.
Kansas 1	Mar. 19, 1886	June 13, 1888	Kansas 2.	Consolidation with Colorado.
Joseph	Dec. 3, 1879	Oct. 14, 1886	Kansas 1.	Yale.
Nebraska	Apr. 1, 1886	Dec. 20, 1886	Kansas 1.	Yale.
Caldwell	Sept. 10, 1886	Aug. 29, 1887	Kansas 1.	Yale.
Arkansas	May 20, 1887	Mar. 21, 1888	Carrier	Yale.
Harlan	June 21, 1878	Mar. 16, 1899	Carrier	Yale.
Tonkawa	July 20, 1889	Dec. 22, 1899	Carrier	Yale.
Kingfisher	Dec. 29, 1890	Oct. 8, 1900	Carrier	Yale.
Gowrie	July 14, 1889	Dec. 31, 1900	Carrier	Yale.
Peoria 4	Oct. 9, 1877	June 11, 1903	Carrier	Yale.
Peoria 3	Sept. 30, 1889	Dec. 12, 1877	Peoria 4.	Yale.
Peoria 2	Mar. 7, 1867	Sept. 30, 1889	Peoria 3.	Consolidation with Peoria 1.
Peoria 1	Feb. 14, 1866	Sept. 30, 1889	Peoria 3.	Consolidation with Peoria 2.
Meeker County	Apr. 29, 1876	June 10, 1903	Peoria 1.	Yale.

Predecessor company	Date of incorporation	Date of demise	Successor	Manner of succession
Minneapolis (<i>g</i>)	May 21, 1902	Mar. 23, 1904	Carrier	Take.
Belt	Oct. 15, 1889	June 11, 1903	Minneapolis	Take.
Kansas City	Dec. 23, 1902	Jan. 1, 1905	Carrier	Take.
St. Louis (<i>h</i>)	Dec. 20, 1884	Jan. 1, 1905	Kansas City	Take.
Forest Park	Oct. 8, 1877	Dec. 22, 1884	St. Louis	Take.
Central Missouri (<i>i</i>)	June 28, 1881	Nov. 29, 1886	St. Louis	Take.
Missouri Central (<i>j</i>)	May 21, 1870	June 30, 1881	Central Missouri	Take.
El Paso	Dec. 18, 1900	Dec. 31, 1910	Carrier	Take.
Choctaw Railway	Jan. 26, 1903	July 31, 1903	El Paso	Take.
Tuacumcari	Jan. 9, 1909	May 9, 1910	El Paso	Take.

(*g*) Name changed May 6, 1903, from St. Paul Terminal and Transfer Company to Minneapolis and St. Paul Railway Company.

(*h*) Name changed August 26, 1887, from St. Louis, Kansas City and Colorado Railroad Company to The St. Louis, Kansas City and Colorado Railroad Company.

(*i*) Name changed June 16, 1883, from The Central Railway of Missouri to St. Louis & Central Missouri Railway Company.

(*j*) Name changed November 2, 1871, from St. Louis and Fort Scott Rail Road Company to Missouri Central Railway Company.

On April 20, 1915, H. U. Mudge and J. M. Dickinson were appointed receivers for the carrier, and were acting as such as of date of valuation.

Detailed data with respect to the development of the carrier's fixed physical property are given in Appendix 2.

History of Corporate Financing, Capital Stock, and Long-term Debt.—The recorded capital liability of the carrier is as follows:

[fol. 728]	Outstanding	Held by or for the carrier	Held by the public
Capital stock . . .	\$74,877,200.00	\$517,477.50	\$74,359,722.50
Stock liability for conversion . . .	122,800.00	.....	122,800.00
Funded debt . . .	300,873,838.08	69,240,838.08	231,633,000.00
Receivers' certifi- cates	1,494,000.00	.....	1,494,000.00
Non - negotiable debt to affili- ated companies	27,900.00	.....	27,900.00
Total	377,395,738.08	69,758,315.58	307,637,422.50

The original amount of capital stock authorized was \$50,000,000. On June 5, 1901, this was increased to \$60,000,000, and on June 4, 1902, to \$75,000,000. Capital stock to the amount of \$122,800 is held in the treasury of the carrier to cover the uncanceled stock of the Burlington and the Peoria 4, of a par value of \$114,100 and \$8,700 respectively.

There was issued or assumed by the carrier an aggregate of \$388,643,379.08 of funded debt, of which \$87,769,541 has been retired. Bonds having an aggregate par value of \$53,041,838.08, which are deposited with trustees of mortgages or held by the carrier, are not included in the general balance sheet shown in the carrier's annual report to this Commission for the year ended with date of valuation.

In Appendix 2 the history of corporate financing of the carrier is stated in detail under the following heads: (1) the consolidation of 1880; (2) the acquisition of companies subsequent to 1880; which were financed entirely by the carrier or the Pacific No. 2; (3) the acquisition of companies subsequent to 1880, which were financed in part independently of the carrier or of the Pacific No. 2; (4) financing independent of predecessor companies, including the operations of the holding companies now in control of the carrier; (5) capitalization of the carrier; (6) short-term notes; and (7) contingent liabilities.

Gross and Net Earnings of the Carrier.—The result of the corporate operations of the carrier from June 2, 1880, to date of valuation, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings (railway operating revenues) . .	\$1,101,539,461.36
Operating expenses (railway operating expenses) . .	756,775,263.35

Resulting in net earnings (net revenue
from railway operations) of 344,764,198.01

During the same period taxes assessed (railway tax accruals) amounted to	\$12,800,503.39	
Uncollectible railway revenues amounted to	31,796.29	
		<hr/> 42,832,299.68
Resulting in an income from railway operations (railway operating income) of		301,931,898.33
In addition to this there was income from non-operating sources (non-operating income) of		<hr/> 42,808,833.51
[fol. 729] Resulting in gross income for the period (gross income) of		344,740,731.84
During this period rents and hire of equipment (chargeable to deductions from gross income) amounted to		<hr/> 60,739,847.66
Resulting in an amount, available for the payment of interest and dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income) of ..		284,000,884.18

If the carrier's income account were revised in accordance with the Commission's present accounting rules, certain readjustments detailed in Appendix 2 would have to be made, as a result of which the gross income would be increased to \$345,195,224.65, and the amount available for the payment of interest and dividends and for other corporate purposes to \$284,455,376.99.

From 1881 to 1914, both inclusive, the carrier paid dividends annually at rates varying from 2 to 13 per cent, to the aggregate of \$105,571,722.20, of which \$1,615,600 represented a stock dividend of 10 per cent and the remainder was paid in cash. During the year 1915 the carrier suffered a net loss of \$765,244.63 and paid no dividends.

Further details under this heading are given in Appendix 2.

General Balance Sheet.—The general balance sheet stated by the carrier, as showing its financial condition on date of valuation, follows:

Assets

Investments:

Investment in road and equipment	\$235,867,019.23	
Improvements on leased railway property	4,638,692.56	
Miscellaneous physical property..	1,741,023.07	
Investments in stocks	\$25,515,481.21	
Investments in bonds	20,833,129.97	
Investments in advances	14,060,299.62	
	<hr/>	60,408,910.80
Total		\$302,655,615.66

Current assets:

Cash	3,204,673.45	
Special deposits	389,209.48	
Loans and bills receivable.....	54,663.88	
Traffic and car-service balances receivable	314,152.25	
Net balances receivable from agents and conductors	943,767.61	
Miscellaneous accounts receivable.	2,298,118.36	
Materials and supplies.....	5,605,310.03	
Interest and dividends receivable.	316,849.46	
Rents receivable	43,621.63	
Other current assets.....	775,800.03	
	<hr/>	
Total		13,946,166.18

Deferred assets:

Working fund advances	109,019.23	
[fol. 730] Unadjusted debits:		
Other unadjusted debits	1,504,386.33	
	<hr/>	
Grand total		318,215,217.40
	<hr/>	

Liabilities

Stock—Capital stock:

Total issue shown	
on books	\$74,877,200.00
Held by or for	
the carrier ...	517,477.50
Net amount outstanding	
against the carrier.....	\$74,359,722.50
Stock liability for conversion: Out-	
standing in hands of public....	122,800.00
Total	\$74,482,522.50

Long-term Debt: Funded debt unmatured:

Total issue shown	
on books	247,482,000.00
Held by or for	
the carrier ...	16,199,000.00
Net amount outstanding	
against the carrier.....	231,283,000.00
Receivers' certificates.....	1,494,000.00
Non-negotiable debt to affiliated	
companies	27,900.00
Total	232,804,900.00

Current liabilities:

Loans and bills payable.....	4,100,000.00
Traffic and car-service balances	
payable.....	998,524.83
Audited accounts and wages pay-	
able.....	6,495,323.60
Miscellaneous accounts payable..	822,874.76
Interest matured unpaid.....	2,317,997.29
Dividends matured unpaid.....	247.25
Funded debt matured unpaid...	60,708.85
Unmatured interest accrued	2,300,971.54
Unmatured rents accrued	407,010.08
Total	17,503,658.14

Deferred liabilities:

Other deferred liabilities.....	478,868.28
---------------------------------	------------

Unadjusted credits:

Tax liability	1,627,065.65	
Insurance and casualty reserves..	656,603.81	
Operating reserves	2,236,966.19	
Accrued depreciation—equipment	2,524,099.90	
Other unadjusted credits.....	722,378.56	
Total		7,767,114.11
Total liabilities		333,037,063.03

Corporate surplus:

Appropriated surplus	64,367.76
Profit and loss debit balance.....	14,886,213.39

Corporate surplus debit..... 14,821,845.63

Total after deducting deficit..... 318,215,217.40

[fol. 731] Investment in road and equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the carrier to be \$235,867,019.23, the elements of which this amount is made up are stated in Appendix 2.

Were certain readjustments made, as detailed in Appendix 2, the carrier's investment in road and equipment, subject to the limitations stated below, would appear to be as follows:

Recorded cash expenditures..... \$146,377,794.81

Considerations other than cash:

Par value of securities..... 83,203,011.00

Securities and other liabilities of absorbed companies, standing to the carrier's credit and cancelled on date the absorbed property was acquired:

Par and face value of securities and advance accounts, comprised of construction advance accounts of the Choctaw against the Hazen and the Oklahoma, transferred to the carrier in part payment of a dividend on Choctaw stock..... 1,481,862.44

Book value, as carried on books of the carrier, of \$410,000 par value of Searcy capital stock, transferred to the carrier as a dividend on Choctaw stock held by it, the carrier having paid \$230,000 for \$300,000 par value of this stock for account of the Choctaw and the latter having paid \$5,500 on its subscription for \$110,000 additional par value of this stock..... 235,500.00

Current liabilities assumed..... 48,835.26

Accrued interest..... 184,889.02

Less, considerations other than road and equipment acquired by the above expenditures:

Investment securities and assets, other than road and equipment, acquired in the consolidation of 1880; but not subsequently used in the acquisition of road and equipment,	971,739.33
Advance account against The St. Paul Union Depot Company acquired from the Burlington,	83,929.86
Net balance between certain current assets and current liabilities, the carrier's obligation to pay which was cancelled upon taking over the property of the Burlington,	646,259.45
Excess of assets over liabilities transferred to the carrier by the Peoria 4, the carrier's obligation to pay for which was cancelled upon taking over the property,	200,496.45
Unliquidated balance in current account of the El Paso against the carrier, the carrier's obligation to pay which was cancelled upon taking over the property,	47,972.49

An indeterminable amount to represent the value of land grant lands received with the property of the Pacific No. 2, the total net proceeds from the sale of which aggregated \$3,763,500.

An indeterminable amount to represent the value at time received of capital stock of the Coal Valley Mining Company, \$50,000 par [fol. 732] value, on which the carrier has received a dividend income of \$294,000, since its acquisition with the property of the Peoria No. 4, but which it now carries on its books at a valuation of \$1.

An indeterminable amount to represent the value at time received of securities now carried on books of the carrier either as having no value or at nominal values, including: capital stock of certain inactive carrier companies and of the Central City Elevator Company, transferred to the carrier with property of the Peoria No. 4; capital stock of certain inactive carrier companies and of the Cedar Rapids Auditorium Company, transferred to the carrier with the property of the Burlington; and capital stock of the Gasconade Railway Construction Company acquired with the considerations paid to secure the property of the Kansas City.

An indeterminable amount representing the value at time received with property of the Burlington of \$2,350 par value of Cedar Rapids Electric Light and Power Company stock, carried on the books of the Burlington at a valuation of \$1,362.50 and subsequently sold by the carrier for \$1,997.50.

An indeterminable amount, representing expenditures by the carrier in improving the lines of the Bureau Valley and the carrier's investment in noncarrier property other than terminal lands in Chicago, Ill., Forsythe Junction, Mo., Galveston, Tex., and Minneapolis, Minn., coal lands in Las Animas County, Colo., and land

grant lands in Minnesota, the lands referred to being the only non-carrier lands the carrier's investment in which is disclosed in its account for investment in miscellaneous physical property.

Since the above items comprise unlike factors which cannot properly be combined, unless reduced to a common denominator such as their money equivalent, it is impossible to state one sum, in terms of cash, as representing the carrier's investment in road and equipment.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The recorded outlay by all persons whomsoever, for the property as a whole, with the exception of certain expenditures to which reference is made below, appears to have been approximately \$207,445,-244.21 in recorded money outlay and an outlay in securities of a par value of \$2,548,600.37, of which \$1,995,130.23 par value were issued at an agreed cash value of \$1,149,987.17. The derivation of these amounts is explained in Appendix 2, page 219.

The above amounts include the net charges by the carrier and certain predecessors for lands in the Chicago Terminal Division that are the result of crediting to investment in road and equipment the entire proceeds from the sale of certain lands disposed of, which proceeds have been found to be \$743,659.15 in excess of the original cost of the lands sold.

These amounts do not include expenditures incurred by the Mississippi; the North Pacific; the Topeka, the Salina and Western Rail Road Company; the Atchison; the Peoria (1); the Peoria (3); the Clinton; and the Forest Park; for property established by those companies; expenditures by the Omaha, the Waverly, the Rapids, and the Missouri Central, for right-of-way acquired by those companies; expenditures by the Mercer County for certain equipment and other property acquired from the Coal Valley Mining Company; expenditures by the Burlington for 5 miles of line; expenditures in the establishment of property by the Belt, if any, in excess of \$7,218.49; and outlay from cash donations and tax aids received by the Indianola, the South Western No. 1, the Winderset and the Minnesota, and from tax aids received by the Iowa City. The extent of the cash donations and tax aids referred to is not known. There is also not included anything to represent either the cost to donors or the value at time donated, neither of which is known, of 16,616.49 acres of donated common-carrier lands, owned by the carrier.

The Kansas (2) charged to profit and loss \$13,124.97 paid for the use, during construction, of a bridge across the Missouri River, and the Pacific No. 2, the Chicago, and the Minnesota respectively charged \$82,174.69, \$182,382.67 and \$12,018.47 to profit and loss, which amounts purport to represent expenditures for additions and betterments. In the absence of details regarding the circumstances under which these charges were made, these amounts are not included in the above statement of outlay.

The details of the cost of lands, equipment, roadway machines, shop machinery, and power-plant machinery, are given in Appendix 2.

The carrier also uses common-carrier property, which it leases from the Improvement Company, in the original establishment of which there was incurred outlay in money and securities as follows, in part offset by \$436,781.37 credited to the carrier's account against the Improvement Company, of which \$237,037.01 represents equipment destroyed while in possession of the carrier and \$199,744.36 represents rebates from builders and on specialties used on the equipment, which were received by the carrier:

	Par value of securities	Recorded money outlay
Terminals at Peoria, Ill. ....	.....	\$342,050.64
Terminals at Cedar Rapids, Ia. ....	.....	435,998.36
Shops at Blue Island, Ill. ....	.....	205,509.95
Equipment	\$10,105,000	194,432.14
Total	10,105,000	1,177,991.09

All of the capital stock of the Improvement Company is owned by the New Jersey Company. The latter owns all the capital stock of the Iowa Company, except a few directors' shares, and the Iowa Company in turn owns nearly all the capital stock of the carrier. The inter-relationship of these companies is set forth in the portion of Appendix 2, devoted to the carrier, under the caption of Financing Independent of Predecessor Companies, and is treated in detail in the portion of Appendix 2, devoted to the Iowa Company and the portion of the accounting report devoted to the holding companies and to the Improvement Company, where there are also given the details of the cost of equipment, shop machinery and power plant machinery owned by the Improvement Company and used by the carrier. As there related, the Improvement Company was organized primarily to take title to property to be used by the carrier and in that manner prevent such property from falling under the liens of the carrier's mortgages. With the exception of \$3,000 realized from the sale of its capital stock and a small amount of miscellaneous income, all the funds used in the acquisition of the property of the Improvement Company were advanced by the carrier.

[fol. 734] The Improvement Company also owns the steamer General Pierson, formerly used as a car ferry in the Mississippi River, but now practically abandoned, for which it paid \$28,500.

Cost of Reproduction New and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned or used by the carrier on date of valuation, are shown in the following tables:

Cost of reproduction

	New	Less depreciation
Wholly owned and used	\$250,697,172	\$197,090,275
Jointly owned and used:		
At Chicago, Ill., 18,644 miles of track with The New York Central Railroad Company, ownership 50 per cent each, carrier's portion	2,863,675	2,397,438
At Blue Island, Ill., .142 of a mile of track with The Baltimore and Ohio Chicago Terminal Railroad Company, ownership, 50 per cent each, carrier's portion	788	626
At Joliet, Ill., 6,977 miles of track with The Michigan Central Railroad Company, ownership 50 per cent each, carrier's portion	237,992	218,366
.082 of a mile of track with The Michigan Central Railroad Company, The Chicago and Alton Railroad Company and The Atchison, Topeka and Santa Fe Railway Company, ownership 25 per cent each carrier's portion	1,147	1,001
At South Chicago, Ill., .685 of a mile of track with Chicago and Western Indiana Railroad Company, ownership 50 per cent each, carrier's portion	8,261	6,818
At Ottawa, Ill., 5,883 miles of track with Chicago, Burlington & Quincy Railroad Company, ownership 50 per cent each, carrier's portion	30,976	22,534
At East Moline, Ill., 1,566 miles of track with Chicago, Burlington & Quincy Railroad Company and the Chicago, Milwaukee and St. Paul Railway Company, carrier's proportion of ownership being 33 $\frac{1}{3}$ per cent, carrier's portion	5,036	3,653
At Moline, Ill., 3,081 miles of track with Chicago, Burlington & Quincy Railroad Company, ownership 50 per cent each, carrier's portion ..	22,849	15,602

[fol. 735]

	Cost of reproduction	
	New	Less depreciation
At Davenport, Ia., 2,953 miles of track with Chicago, Milwaukee and St. Paul Railway Company, ownership 50 per cent each, carrier's portion	26,520	21,120
At Council Bluffs, Ia., 2,895 miles of track with Chicago, Burlington & Quincy Railroad Company and the Chicago and North Western Railway Company, ownership 33½ per cent each, carrier's portion	9,082	6,272
1,452 miles of track with Chicago, Burlington & Quincy Railroad Company, ownership 50 per cent each, carrier's portion	6,444	4,403
At Harlan, Ia., .23 of a mile of track with Chicago Great Western Railroad Company and the Chicago and North Western Railway Company, ownership 33½ per cent each, carrier's portion	902	662
At Cedar Rapids, Ia., 1,062 miles of track with Illinois Central Railroad Company, ownership 50 per cent each, carrier's portion	6,975	5,482
.823 of a mile of track with Chicago and North Western Railway Company, ownership 50 per cent each, carrier's portion	71,979	56,367
At Clinton, Ia., .611 of a mile of track with Chicago, Milwaukee and St. Paul Railway Company and the Chicago, Burlington & Quincy Railroad Company, ownership 33½ per cent each, carrier's portion	1,902	1,321
6,231 miles of track with Chicago, Burlington & Quincy Railroad Company, ownership 50 per cent each, carrier's portion	56,758	39,981
At La Porte, Ia., .349 of a mile of track with The Waterloo, Cedar Falls & Northern Railway Company, ownership 50 per cent each, carrier's portion	1,828	1,511
At Keokuk, Ia., .407 of a mile of track with Chicago, Burlington & Quincy Railroad Company, ownership 50 per cent each, carrier's portion	2,261	1,632

Cost of reproduction

	New	Less depreciation
At Sioux Falls, S. Dak.: .996 of a mile of track with Great Northern Railway Company, the Chicago, St. Paul, Minneapolis and Omaha Railway Company, the Chicago, Milwaukee and St. Paul Railway Company and the Illinois Central Railroad Company, ownership 20 per cent each, carrier's portion	4,044	3,284
[fol. 736]		
.974 of a mile of track with Chicago, Saint Paul, Minneapolis and Omaha Railway Company, the Chicago, Milwaukee and St. Paul Railway Company and the Illinois Central Railroad Company, ownership 25 per cent each, carrier's portion	474	392
At Watertown, S. Dak., 3,788 miles of track and a depot with The Minneapolis & St. Louis Railroad Company, ownership 50 per cent each, except the depot, the ownership in which is 40 per cent in the carrier and 60 per cent in The Minneapolis & St. Louis Railroad Company, carrier's portion	46,716	33,823
At Lincoln, Nebr., .213 of a mile of track with The Missouri Pacific Railway Company, ownership 50 per cent each, carrier's portion	1,244	934
At Stillings, Mo., .411 of a mile of track with Chicago, Burlington & Quincy Railroad Company, ownership 50 per cent each, carrier's portion	7,469	4,749
At St. Louis, Mo., .0639 of a mile of track with St. Louis Merchants Bridge and Terminal Railway Company, ownership 66 $\frac{2}{3}$ per cent in the carrier and 33 $\frac{1}{3}$ per cent in St. Louis Merchants Bridge and Terminal Railway Company, carrier's portion	397	257
At Topeka, Kans., 1,025 miles of track with The Atchison, Topeka and Santa Fe Railway Company and The Missouri Pacific Railway Company, ownership 33 $\frac{1}{3}$ per cent each, carrier's portion	3,516	2,785

	Cost of reproduction	
	New	Less depreciation
.172 of a mile of track with The Missouri Pacific Railway Company, ownership 50 per cent each, carrier's portion	1,443	926
At Kansas City, Kans., .187 of a mile of track with Kansas City Terminal Railway Company and the Union Pacific Railroad Company, ownership 33 $\frac{1}{3}$ per cent each, carrier's portion	484	378
.127 of a mile of track with Union Pacific Railroad Company, ownership 50 per cent each, carrier's portion	1,073	666
At Saline, Kans., .179 of a mile of track with Union Pacific Railroad Company, ownership 50 per cent each, carrier's portion.....	667	479
[fol. 737]		
At Hutchinson, Kans., 2.518 miles of track with The Atchison, Topeka and Santa Fe Railway Company, ownership 50 per cent each, carrier's portion	10,749	7,918
.639 of a mile of track with The Atchison, Topeka and Santa Fe Railway Company, ownership 50 per cent each, carrier's portion.....	2,495	1,848
At Wichita, Kans., 8.312 miles of track with The Missouri Pacific Railway Company, the St. Louis-San Francisco Railway Company and The Atchison, Topeka and Santa Fe Railway Company, ownership 25 per cent each, carrier's portion	25,572	18,695
At Mangum, Okla., .434 of a mile of track with The Wichita Falls and Northwestern Railway Company, ownership 50 per cent each, carrier's portion	1,697	1,386
Total jointly owned and used, carrier's portion	3,466,815	2,883,309

	Cost of reproduction	
	New	Less depreciation
Jointly owned with The Wabash Railroad Company, but wholly used by the carrier; .561 of a mile of track located at St. Louis, Mo., the carrier's ownership in which is confined to 15.4 per cent of accounts 9, 10 and 12, carrier's portion.....	634	557
Total owned and used, including carrier's portion of jointly owned	254,164,621	199,974,141
Used but not owned:		
Wholly owned by lessor companies:		
The Keokuk	3,269,803	2,592,509
The Choctaw	39,393,517	30,789,483
The Louisiana	11,781,218	9,884,803
The Short Line.....	7,930,169	6,964,230
The Dardanelle	230,800	198,549
The Stuttgart	217,976	169,052
The Memphis Terminal.....	261,871	261,871
The Bureau Valley	1,607,220	1,318,717
The White River No. 2.....	786,403	639,059
The Iowa Company.....	19,194	14,732
The Improvement Company.....	10,748,868	7,437,521
Total	76,247,039	60,261,526
Jointly owned by lessor companies and jointly used by the carrier with the other joint owner:		
At Bridge Junction, Ark., .073 of a mile of track, the Choctaw with the St. Louis-San Francisco Railway [fol. 738]		
Company, ownership 50 per cent each, Choctaw's portion.....	657	561
At Argenta, Ark., .331 of a mile of track, the Choctaw with St. Louis Southwestern Railway Company, ownership 50 per cent each, Choctaw's portion	1,239	1,133

	Cost of reproduction	
	New	Less depreciation
At Wilburton, Okla., .366 of a mile of track, the Choctaw with Missouri, Kansas & Texas Railway Company, ownership 50 per cent each, Choctaw's portion	2,025	1,621
At McAlester, Okla., .476 of a mile of track, the Choctaw with Missouri, Kansas & Texas Railway Company, ownership 50 per cent each, Choctaw's portion	1,870	1,347
At Oklahoma City, Okla., 1,295 miles of track, the Choctaw with St. Louis-San Francisco Railway Company, ownership 50 per cent each, Choctaw's portion	5,215	4,169
At Oklahoma City, Okla., .526 of a mile of track, the Choctaw with St. Louis-San Francisco Railway Company, ownership 50 per cent each, Choctaw's portion	2,305	1,768
At Mason City, Ia., .385 of a mile of track, the Short Line with Chicago Great Western Railroad Company, ownership 50 per cent each, Short Line's portion	3,304	2,721
At Iowa Falls, Ia., .467 of a mile of track, the Short Line with Chicago and North Western Railway Company, the Short Line's proportion of ownership being 12.13 per cent, Short Line's portion	458	329
At Brinkley, Ark., .112 of a mile of track, the White River No. 2 with the St. Louis, Iron Mountain & Southern Railway Company, ownership 50 per cent each, portion of the White River No. 2	952	655
Total jointly owned by lessor companies and jointly used by the carrier	18,025	14,304
Jointly owned by the carrier with The Wabash Railroad Company, but wholly used by the carrier, .561 of a mile of track, located at St. Louis, Mo., carrier's ownership of which is confined to 15.4 per cent of accounts 9, 10 and 12, portion allocated to The Wabash Railroad Company...	7,025	5,703

[fol. 739]

	Cost of reproduction	
	New	Less depreciation
Grand total, used but not owned, including lessor companies' portion of jointly owned	76,272,089	60,281,533
Owned but not used:		
Wholly owned, leased to—		
Rock Island Southern Railway Company	19,154	10,783
Kankakee and Seneca Railroad Company	10,523	3,137
Jointly owned with The Wabash Railroad Company but wholly used by that company; .61 of a mile of track located at St. Louis, Mo., the carrier's ownership of which is confined to 94.5 per cent of account 9, 96.3 per cent of account 10, 99.8 per cent of account 12, and 100 per cent of all remaining accounts, carrier's portion	5,871	4,174
Total owned but not used.....	35,548	18,094
Total used	330,436,710	260,255,674
Total owned	254,200,169	199,992,235

Common-carrier Property Distributed by States.

Illinois:

Wholly owned and used.....	\$29,505,335	\$23,524,867
Jointly owned and used, carrier's portion	3,170,724	2,666,038
Total owned and used, including carrier's portion of jointly owned and used....	32,676,059	26,190,905
Used but not owned:		
Leased from—		
The Bureau Valley.....	1,607,220	1,318,717
The Improvement Company....	407,842	323,488
Total	2,015,062	1,642,205

	Cost of reproduction	
	New	Less depreciation
Owned but not used, leased to Rock Island Southern Railway Company	19,154	10,783
Total used	34,691,121	27,833,116
Total owned	32,695,213	26,201,688
[fol. 740] Iowa:		
Wholly owned and used	61,650,108	49,193,588
Jointly owned and used, carrier's portion	187,651	138,751
Total owned and used, including carrier's portion of jointly owned and used	61,837,759	49,332,339
Used but not owned:		
Leased from—		
The Keokuk	3,263,293	2,590,621
The Short Line:		
Wholly owned by the Short Line	7,429,262	6,612,392
Jointly owned by the Short Line and jointly used by the carrier with the other joint owners; details shown in preceding table, Short Line's portion	3,762	3,050
The Iowa Company	19,194	14,732
The Improvement Company	22,189	16,704
Total	10,737,700	9,237,499
Total used	72,575,459	58,569,838
Minnesota:		
Wholly owned and used	6,010,259	4,813,191
South Dakota:		
Wholly owned and used	1,424,509	1,028,746
Jointly owned and used, carrier's portion	51,234	37,496
Total owned and used, including carrier's portion of jointly owned and used	1,475,743	1,066,245

	Cost of reproduction	
	New	Less depreciation
Nebraska:		
Wholly owned and used	7,719,394	6,137,311
Jointly owned and used, carrier's portion	1,244	934
Total owned and used, including carrier's portion of jointly owned	7,720,638	6,138,245
[fol. 741] Missouri:		
Wholly owned and used.....	23,686,789	20,206,912
Jointly owned and used, carrier's portion	7,866	5,006
Jointly owned with The Wabash Railroad Company but wholly used by the carrier, carrier's portion.....	634	557
Total owned and used, including carrier's portion of jointly owned and used.....	23,695,289	20,212,475
Owned but not used; jointly owned with The Wabash Railroad Company, but wholly used by that company, carrier's portion	5,871	4,174
Total owned	23,701,160	20,216,649
Kansas:		
Wholly owned and used.....	35,986,149	28,594,519
Jointly owned and used, carrier's portion	46,399	33,695
Total owned, including carrier's portion of jointly owned	36,032,548	28,628,214
Used but not owned:		
Leased from the Choctaw.....	253,398	185,678
Total used	36,285,946	28,813,892
Colorado:		
Wholly owned and used	5,464,593	4,624,384

Tennessee:	Cost of reproduction	
	New	Less depreciation
Used but not owned:		
Leased from		
The Choctaw	64,926	51,714
The Memphis Terminal	261,871	261,871
Total	326,797	313,585
Arkansas:		
Wholly owned and used	488,105	387,408
Used but not owned:		
Leased from		
The Choctaw	13,998,962	11,985,357
[fol. 742] The Louisiana	6,623,217	5,853,036
The Dardanelle	217,373	192,768
The Stuttgart	201,350	165,619
The White River No. 2	786,403	630,059
Jointly owned by lessor companies and jointly used by the carrier with the other joint owners; details shown in preceding table:		
Leased from		
The Choctaw	1,896	1,694
The White River No. 2	952	655
Total	21,830,153	18,829,188
Total used	22,318,258	19,216,596
Oklahoma:		
Wholly owned and used	17,605,937	14,571,720
Jointly owned and used, carrier's portion	1,697	1,386
Total owned, including carrier's portion of jointly owned	17,607,634	14,573,106
Used but not owned:		
Leased from the Choctaw:		
Wholly owned by the Choctaw	19,316,542	15,437,573
Jointly owned by the Choctaw and jointly used by the carrier with other joint owners	11,415	8,905
Total	19,327,957	15,446,478
Total used	36,935,591	30,019,584

	Cost of reproduction	
	New	Less depreciation
New Mexico:		
Wholly owned and used	5,206,136	4,447,321
Louisiana:		
Used but not owned:		
Leased from the Louisiana	3,416,744	2,770,161
Not Allocated to States:		
Wholly owned and used	55,949,858	39,560,308
Used but not owned:		
Leased from		
The Keokuk	6,510	1,888
The Choctaw	5,759,689	3,129,161
The Louisiana	1,741,257	1,261,606
[fol. 743] The Shore Line	500,907	351,838
The Dardanelle	13,427	5,781
The Stuttgart	16,626	3,433
The Improvement Company	10,318,837	7,097,329
Total	18,357,253	11,851,036
Owned but not used, leased to Kankakee and Seneca Railroad Company.	10,523	3,137
Total used	74,307,111	51,411,344
Total owned	55,960,381	59,563,445

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in the summaries which are a part of Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, the Present Value and Excess Cost of Acquisition of the Same.—The carrier owns and uses for its purposes as a common carrier 89,663.50 acres of lands. Incomplete data respecting the original cost of these lands are given in Appendix 2. The area, present value, and excess cost of acquisition of the above lands may be classified as follows:

	Area in acres	Present value	Excess cost of acquisition
Owned and used.....	89,663.50	\$36,926,431.37	\$29,824,428.21
Owned but not used, leased to:			
Illinois Central Railroad Company.....	0.23	40.25	35.82
The Atchison, Topeka and Santa Fe Railway Com- pany, and Chicago and Western Indiana Railroad Company.....	0.89	231,336.00	100,631.16
Chicago West Pullman & Southern Railroad Company	0.36	2,260.80	2,419.06
Total.....	1.48	233,637.05	103,086.04
Used but not owned, leased from:			
The Kookuk.....	2,062.00	683,542.43	675,488.56
The Choctaw.....	14,870.12	3,443,788.71	2,585,611.40
The Louisiana.....	6,590.00	351,163.10	336,214.20
The Short Line.....	3,877.23	1,027,000.86	996,146.98
The Dardanelle.....	171.75	5,090.70	9,534.26
The Stuttgart.....	260.55	33,516.09	31,565.47
The Memphis Terminal.....	14.92	184,004.25	109,354.99
The Bureau Valley.....	578.71	244,254.39	272,505.91
The White River No. 2.....	571.44	34,505.40	45,815.65
The Iowa Company.....	7.02	7,435.40	6,596.49
[fol. 744] Chicago Great Western Railroad Company.....	6.61	330.50	518.22
Quincy, Omaha & Kansas City Railroad Company.....	0.07	171.50	112.50
St. Joseph Union Depot Company.....	0.05	700.00	470.10
St. Louis-San Francisco Railroad Company.....	4.03	5,239.00	3,394.87
Union Pacific Railroad Company.....	0.35	1,537.50	1,045.50

Arkansas & Memphis Railway, Bridge & Terminal Company
Parties other than common carriers

20,38	230,828.25	169,615.42
117.03	474,845.63*	0.00*
<u>29,152.26</u>	<u>6729,813.71</u>	<u>5,244,018.52</u>
3.42	14,398.39	6,681.14
<u>0.77</u>	<u>19.25</u>	<u>30.18</u>
89,664.98	37,160,068.42	29,927,514.25
118,815.76	43,656,245.08	35,068,446.43

Leased from the Keokuk and sublet to the Chicago, Burlington & Quincy Railroad Company
Leased from the Choctaw and sublet to the St. Louis Southwestern Railway Company

<u>Total owned</u>		
<u>Total used</u>		

The area, present value and excess cost of acquisition of lands owned or used by the carrier are distributed by states as follows:

Illinois

Owned and used	5,034.74	\$19,001,753.00	\$12,033,844.84
Owned but not used, leased to The Atchison, Topeka and Santa Fe Railway Company, and Chicago and Western Indiana Railroad Company	0.89	231,336.00	100,631.16
Chicago West Pullman and Southern Railroad Company	0.36	2,230.80	2,419.06
<u>Total</u>	<u>1.25</u>	<u>233,566.80</u>	<u>103,050.22</u>

*Of these lands 25.08 acres with a present value of \$136,875.50 and which are accorded no excess cost of acquisition, are leased from the Improvement Company.

Used but not owned, leased from:

The Bureau Valley.....	578.71	Present value	244,254.39	Excess cost of acquisition	272,505.91
Parties other than common carriers.....	31.82*		149,820.37*		0.00
Total.....	610.53		394,074.76		272,505.91
Total owned.....	5,035.99		19,235,349.80		12,136,895.06
Total used.....	5,646.52		19,385,827.76		12,306,350.75

[fol. 745] Iowa:

Owned and used.....26,122.655

Owned but not used, leased to the Illinois Central Railroad
Company.....0.23

Used but not owned, leased from:

The Keokuk.....	2,062.00	Present value	683,542.43	Excess cost of acquisition	675,488.56
The Short Line.....	3,877.23		1,027,660.86		996,146.98
The Iowa Company.....	7.02		7,435.40		6,596.49
Parties other than common carriers.....	23.75		303,164.83		0.00
Total.....	5,970.03		2,021,803.52		1,678,232.03

Leased from the Keokuk and subject to the Chicago, Bur-
lington & Quincy Railroad Company.....3.42

Total owned.....	26,122.885	Present value	8,766,182.09	Excess cost of acquisition	8,792,379.97
Total used.....	32,392.652		10,776,945.36		10,470,576.48

Minnesota:

Owned and used..... 3,389.20 1,041,708.34 949,881.39

Used but not owned, leased from:

Chicago Great Western Railroad Company..... 6.61 330.50 518.22

Total used..... 3,395.81 1,042,038.84 950,399.61

South Dakota:

Owned and used..... 1,190.83 293,646.40 274,162.80

Nebraska:

Owned and used..... 4,071.225 742,503.34 792,875.76

Used but not owned, leased from parties other than common carriers..... 56.05 3,643.25 0.00

Total used..... 4,127.175 746,146.59 792,875.76

[fol. 746] Missouri:

Owned and used..... 8,491.41 2,577,610.86 2,382,571.45

*Of these lands 25.08 acres with a present value of \$136,875.50 and which are accorded no excess cost of acquisition, are leased from the Improvement Company.

Used but not owned, leased from:

	Area in acres	Present value	Excess cost of acquisition
Quincy, Omaha & Kansas City Railroad Company.....	0.07	171.50	112.50
St. Joseph Union Depot Company.....	0.05	700.00	478.10
St. Louis-San Francisco Railroad Company.....	4.03	5,239.00	3,394.87
Parties other than common carriers.....	1.23	226.40	0.00
Total.....	5.38	6,336.90	3,985.47
Total used.....	8,496.79	2,583,347.75	2,386,536.32

Kansas:

Owned and used..... 17,546.285 3,063,345.20 3,007,912.08

Used but not owned, leased from:

The Choctaw.....	204.83	18,384.95	18,815.92
Union Pacific Railroad Company.....	0.35	1,537.50	1,015.50
Total.....	205.18	20,522.45	19,861.42
Total used.....	17,751.465	3,083,867.65	3,027,773.50

Colorado:

Owned and used..... 3,760.45 174,172.32 188,733.67

Tennessee:

Owned and used..... 0.21 4,750.00 3,093.99

Used but not owned, leased from:

The Choctaw	9.59	353,811.00	31,721.55
The Memphis Terminal	14.92	184,604.25	109,354.99
Arkansas & Memphis Bridge & Terminal Company	20.38	230,828.25	169,615.42
Total	44.89	769,243.50	310,691.96
Total used	45.10	773,773.50	313,785.95

Arkansas:

Owned and used	970.85	109,268.95	101,714.59
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Used but not owned, leased from:

The Choctaw	4,904.48	916,931.19	778,030.50
The Louisiana	4,487.11	212,844.65	195,869.51
The Dardanelle	171.75	5,030.70	9,554.26
The Stuttgart	260.55	33,516.09	31,565.47
The White River No. 2	571.44	34,565.40	45,815.65
(fol. 747) Parties other than common carriers	1.50	17,009.20	0.00
Total	10,356.83	1,221,097.23	1,060,835.39

Leased from the Choctaw and sublet to the St. Louis & Western Railway Company

	0.15	19.25	30.18
Total used	11,367.68	1,240,366.48	1,102,549.88

Oklahoma:	Area in acres	Present value	Excess cost of acquisition
Owned and used.....	13,992.515	1,072,198.00	1,186,958.04
Used but not owned, leased from:			
The Choctaw	9,751.22	2,154,061.57	1,757,043.43
Parties other than common carriers.....	2.65	381.58	0.00
Total.....	9,753.87	2,154,443.15	1,757,043.43
Total used	23,746.385	3,226,641.15	2,944,001.47
New Mexico:			
Owned and used.....	4,793.23	90,553.12	110,345.45
Louisiana:			
Used but not owned, leased from:			
The Louisiana	2,102.89	138,318.45	140,344.69

The original cost of condemnation and damages or of purchase of lands, owned and used by the carrier for common carrier purposes in excess of the original cost of such lands cannot be ascertained.

Rights in Public Domain and Private Lands.—The present value of rights in public domain and in private lands owned or used by the carrier is found to be as follows:

	Rights in public domain	Rights in private lands
The line as a whole:		
Owned and used.....	\$9,441.45	\$4,780.00
Used but not owned.....	24,163.05	3,247.50
Total used.....	<u>33,604.50</u>	<u>8,027.50</u>
In Illinois:		
Owned and used.....	<u>3,243.75</u>	<u>300.00</u>
[fol. 748] In Iowa:		
Owned and used.....	4,918.50	865.00
Used but not owned, leased from the Short Line.....	6,465.00	2,675.00
Total.....	<u>11,383.50</u>	<u>3,540.00</u>
In Minnesota:		
Owned and used.....	<u>500.00</u>	<u>200.00</u>
In South Dakota:		
Owned and used.....	<u>600.00</u>	<u>.....</u>
In Nebraska:		
Owned and used.....	<u>150.00</u>	<u>.....</u>
In Missouri:		
Owned and used.....	.....	255.00
In Kansas:		
Owned and used.....	<u>29.20</u>	<u>2,000.00</u>
In Tennessee:		
Used but not owned, leased from the Memphis Terminal.....	16,797.55	.....
In Arkansas:		
Owned and used.....	.....	130.00

	Rights in public domain	Rights in private lands
Used but not owned, leased from:		
The Choctaw	200.50	37.50
The Louisiana .....	.....	150.00
Total	200.50	317.50
In Oklahoma:		
Owned and used .....	.....	1,000.00
Used but not owned, leased from the Choctaw	700.00	325.00
Total	700.00	1,325.00
In New Mexico:		
Owned and used .....	.....	30.00
In Louisiana:		
Used but not owned, leased from the Louisiana .....	.....	60.00

Information regarding original cost of rights owned by the carrier will be found in Appendix 2.

Property Held for Purposes Other Than Those of a Common Carrier.—The carrier owns 108,612.42 acres of non-carrier lands, which, including the value of improvements thereon, have a present value of \$4,156,056.35. Incomplete data respecting the original cost of these lands are given in Appendix 2. The area and present value of these lands is distributed by states as follows:

	Area in acres	Present value
In Illinois	135.11	\$940,633.65
In Iowa	675.21	597,627.20
[fol. 749] In Minnesota	103,052.57	985,336.76
In Nebraska	31.13	10,631.60
In Missouri	151.26	501,612.56
In Kansas	1,033.18	809,103.67
In Colorado	3,039.06	129,264.60
In Tennessee	0.05	1,062.50
In Arkansas	3.52	2,410.30
In Oklahoma	251.88	28,343.51
In Texas	229.45	150,000.00
Total	108,612.42	4,156,056.35

The carrier owns and uses for non-carrier purposes certain structures located on common-carrier lands. The present value of these structures is \$483,796, and is distributed by states as follows:

	Present value
Illinois	\$463,823
Iowa	11,070
Minnesota	7,700
Kansas	1,200
Total	<u>483,796</u>

The carrier holds securities of other companies, the par value of which is \$161,027,447.02. They are carried on the books of the carrier at a value of \$60,463,584.68.

The carrier owns rail and fastenings which it leases to other companies, the original cost of which cannot be ascertained, but which is carried on its books at a valuation of \$483,339.40.

Further information regarding cost of non-carrier lands and investment in other companies will be found in Appendix 2.

Aids, Gifts, Grants of Rights-of-way and Donations.—The carrier owns certain common-carrier and non-carrier lands, which it received as aids or donations, the value of which at time acquired cannot be determined. Their area and present value, distributed by states, is as follows:

	Common-carrier lands		Non-carrier lands	
	Area in acres	Present value	Area in acres	Present value
In Illinois.....	965.98*	\$1,389,560.99*	3.95	\$5,522.93
Iowa	5,374.42	2,554,163.87	7.58	7,439.16
Minnesota	343.00	67,795.45	102,912.77	794,160.34
South Dakota.....	113.37	12,943.99	.....	.....
Nebraska	395.36	83,848.55	.....	.....
Missouri	1,382.67	357,139.44	.....	.....
Kansas	1,562.63	567,883.45	31.76	3,435.20
Colorado	1,512.42	48,541.97	.....	.....
Arkansas	188.45	37,362.09	.....	.....
Oklahoma	801.23	128,398.82	1.89	56.70
New Mexico.....	3,977.62	88,201.15	.....	.....
Total	16,616.85	5,335,830.77	102,957.95	\$10,614.33

[fol. 750] The records of the carrier show cash donations received by it in aid of construction to the total amount of \$53,242.77.

The Pacific No. 2 and its predecessor, the Mississippi, received a land grant of 644,747.17 acres from the United States Government.

*Includes 0.36 of an acre, present value \$2,260.80, owned but not used.

all of which has been sold and the net proceeds credited to profit and loss as follows:

By the Pacific No. 2	\$1,370,148.92
By the carrier	3,763,500.00
Total	\$5,133,648.92

Materials and supplies.—As appears in the general balance sheet, the value of materials and supplies on hand is shown by the carrier's records to have been, upon date of valuation \$5,605,310.03.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of the carrier lands, appreciation, depreciation, going concern value, working capital, including materials and supplies, and all other matters which appear to have a bearing upon the values here reported, the values, as that term is used in the Interstate Commerce Act, of the property of the carrier, owned and used, used but not owned and owned but not used, devoted to common carrier purposes, are found to be as follows:

Wholly owned and used \$251,809,983

Used but not owned, leased from:

The Improvement Company	7,955,000	
The Iowa Company	23,250	
The White River No. 2	700,000	
The Bureau Valley	1,650,000	
The Memphis Terminal	700,000	
The Stuttgart	213,000	
The Dardanelle	215,000	
The Short Line	8,400,000	
The Louisiana	10,750,000	
The Choctaw	35,828,585	
The Keokuk	3,450,000	
Wabash Railway Company	6,000	
Chicago Great Western Railroad Company	331	
Quincy, Omaha & Kansas City Railroad Company	172	
St. Joseph Union Depot Company	700	
St. Louis—San Francisco Railroad Company	5,239	
Union Pacific Railroad Company	1,538	
Arkansas and Memphis Railway Bridge & Terminal Company ..	230,828	
From private parties	337,970	
Total	70,467,613	
Total used	322,277,596	

\$582,778.00

[*In pencil in copy.]

Owned but not used:

Lensed to:

Rock Island Southern Railway Company	11,500
Kankakee and Seneca Railroad Company	3,300
Wabash Railway Company..	4,500

[fol. 751]

Illinois Central Railroad Company	40
The Atchison, Topeka & Santa Fe Railway Company, and the Chicago & Western Indiana Railroad Company	231,336
Chicago, West Pullman & Southern Railroad Company	2,261
Total	252,937
Total owned	252,062,920

There is included in the value above stated as wholly owned and used the sum of \$8,809,983 on account of working capital, including materials and supplies.

Keokuk & Des Moines Railway Company

Location and General Description of Property.—The railroad of Keokuk & Des Moines Railway Company, hereinafter called the Keokuk, is a single track, standard gauge steam railroad, located entirely within the state of Iowa, and extending from Keokuk in a north-easterly direction to Des Moines, Ia.

The owned mileage of the Keokuk embraces 162,285 miles of first main track and 24,008 miles of other tracks, or a total of 196,293 miles of all tracks.

Jointly Used Property, Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under their respective headings in that portion of this report devoted to the operating company, the carrier.

Corporate History.—The Keokuk was incorporated on January 6, 1874, for a period of 50 years, under the general laws of Iowa.

On February 12, 1874, in accordance with the purpose of its incorporation, the Keokuk acquired the property, rights and franchises to that portion of the line of the Des Moines which is located between Keokuk and Des Moines. The property so acquired constitutes the entire present owned mileage of the Keokuk.

The Des Moines had been incorporated in 1853. The portion of its property above described was completed in 1866 and was sold at foreclosure to a purchasing committee representing bond-holders of the Des Moines, on November 10, 1873, which committee, on February 12, 1874, conveyed the property to the Keokuk.

On May 14, 1878, the Keokuk leased its railway to the Pacific No. 2, since which date the property has been operated by the latter company and its successor, the carrier.

History of Corporate Financing, Capital Stock, and Long term Debt.—The Keokuk has issued a total of \$6,875,000 in stock and in bonds, all of which was outstanding in the hands of the public on the date of valuation, as follows:

Capital stock	\$2,600,400
Preferred stock	1,524,600
First mortgage 5 per cent bonds	2,750,000
Total	6,875,000

[fol. 752] The purposes for which the capital securities were issued and the apparent considerations received therefor, and other facts pertinent to the capitalization of the Keokuk, are given in Appendix 2.

Gross and Net Earnings of the Keokuk.—The result of the corporate operations of the Keokuk from November 11, 1873, to June 30, 1915, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings (railway operating revenues)	\$3,131,394.03
Operating expenses (railway operating expenses)	2,117,675.30
Resulting in net earnings (net revenue from railway operations) of	1,013,718.73
During the same period taxes assessed (railway tax accruals) amounted to	85,890.33
Resulting in an income from railway operations (railways operating income) of	927,828.40
In addition to this there was income from non-operating sources (nonoperating income) of	5,576,512.03
Resulting in gross income for the period (gross income), all of which was available for the payment of interest and dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income), of	6,504,340.43

The Keokuk omitted from its income account and included in its profit and loss account expenditures for deferred maintenance, aggregating \$338,942.79 and legal expenses, judgments, etc., aggregating

\$21,586.51. It also erroneously charged to investment in road and equipment \$97.75 paid in taxes. Were these items included in the table above, thereby correspondingly increasing operating expenses and taxes, the amount shown as gross income available for the payment of interest and dividends and for other corporate purposes would be reduced from \$6,504,340.43 to \$6,143,713.38.

The Keokuk paid no dividends on its common stock, but paid dividends on its preferred stock aggregating \$506,866.50, as follows:

Year	Rate	Amount
1881	1.75 per cent	\$26,680.50
1882	1.75 " "	26,677.00
1893	2.4 " "	36,585.60
1894	.95 " "	14,481.80
1895	.9 " "	13,719.60
1900	1. " "	15,244.00
1901	1. " "	15,244.00
1902	1. " "	15,244.00
1904	3.5 " "	53,354.00
1908	1.25 " "	19,055.00
1909	1. " "	15,244.00
1910	2.5 " "	38,110.00
1911	2.5 " "	38,110.00
1912	2.5 " "	38,110.00
1913	3.5 " "	53,354.00
1914	3.25 " "	49,543.00
1915	2.5 " "	38,110.00
Total		\$506,866.50

Further facts under this heading are given in Appendix 2.

General Balance Sheet.—The general balance sheet stated by the Keokuk, as showing its financial condition on date of valuation, follows:

[fol. 753]

Assets

Investments:

Investment in road and equipment..... \$6,720,253.34

Current assets:

Cash	\$4,865.83
Special deposits	142.00
Rents receivable	34,375.00

Total	39,382.83
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Grand Total	6,759,636.17
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Liabilities

Stock:

Common stock	\$2,600,400.00	
Preferred stock	1,524,600.00	
Total		\$4,125,000.00

Long-term debt:

Funded debt unmatured	2,750,000.00
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Current liabilities:

Interest matured unpaid	2.50	
Dividends matured unpaid	142.00	
Unmatured interest accrued	34,375.00	
Total		34,519.50
Total liabilities		6,909,519.50

Corporate surplus:

Profit and loss debit balance	149,883.33
Total, after deducting deficit	6,759,636.17

Investment in Road and Equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the Keokuk to be \$6,720,254.34. As explained in Appendix 2, this amount includes certain charges erroneous on the face of the accounts and does not reflect any deductions for equipment destroyed, dismantled or sold.

If the known erroneous charges were eliminated, the investment in road and equipment of the Keokuk, including, however, its investment in equipment destroyed, dismantled or sold, the original cost of which to the Des Moines and the Keokuk is estimated by the Keokuk as \$499,842.97, and including costs of lands devoted partly to carrier and partly to noncarrier purposes, for which substantial deed considerations of \$576.58 and recording costs of \$1 are shown, would appear to be as follows:

Recorded cash expenditures	\$601,777.67
Par value of securities, the cash value of which at time issued is not known	5,737,218.08

Further details on this subject are given in Appendix 2.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The following have been ascertained as definite items of outlay for the property as a whole:

[fol. 754] Recorded money outlay.....	\$591,063.52
Outlay in securities, at par value of.....	2,416,800.00
Outlay in securities at an agreed value of.....	1,110,250.00

In addition to the definite items stated above, expenditures were made and obligations incurred by the Des Moines, the predecessor of the Keokuk, to the amount of \$1,088,687.68, an unknown part of which represents money outlay and an unknown part of which represents bills payable for construction or additions and betterments. Also interest on funded debt during the construction period amounted to \$1,209,878.49, offsetting which \$836,655.64 of net earnings were received during the construction period. An unknown part of the obligations incurred and an unknown part of the interest during construction, referred to above, was paid by the Des Moines and the remainder was settled by the reorganization committee, but in what manner is not known.

The derivation of the amounts given in the preceding paragraphs is explained in Appendix 2.

A summary of the original cost of lands, separately considered, is given elsewhere in this order, and the details of the cost of lands, equipment, roadway machines, and shop machinery, are given in Appendix 2.

Cost of Reproduction New and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, wholly owned by the Keokuk, which property is exclusively used by the carrier, are \$3,269,803 and \$2,592,509, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, the Present Value and Excess Cost of Acquisition of the Same.—The Keokuk owns 2,065.42 acres of lands devoted to common-carrier purposes. Incomplete data with respect to the original cost of these lands are given in Appendix 2. The area and present value and excess cost of acquisition of the above lands may be classified as follows:

	Area	Present value	Excess cost of acquisition
Owned but not used:			
Leased to the carrier,	2.062	\$683,542.43	\$675,488.56
Leased to Chicago, Burlington & Quincy Railroad Company	3.42	14,598.30	6,681.14
Total	2,065.42	698,140.73	682,169.70

The original cost of condemnation and damages or of purchase of carrier lands owned by the Keokuk in excess of the original cost of such lands cannot be ascertained.

Property Held for Purposes Other Than Those of a Common Carrier.—The Keokuk owns 14.59 acres of lands which we have classified as noncarrier. Incomplete data with respect to the original cost of these lands are given in Appendix 2. Their present value, including the value of improvements thereon, is \$56,788.68.

[fol. 755] **Aids, Gifts, Grants of Rights-of-way, and Donations.**—The records of the Keokuk and its predecessor indicate the receipt of \$1,490 in cash donations, of which \$500 was received by the Des Moines and \$990 by the Keokuk.

The Des Moines received county and municipal bonds of a total par value of \$698,000, for which it was obliged to issue a like amount of capital stock. However, only \$572,151.80 of such stock was issued. These bonds were disposed of by the Des Moines as follows:

Cash	\$447,267.67
Construction material and equipment.....	33,637.69
Total considerations.....	380,905.36
Discount	217,094.64
Par value of the bonds.....	698,000.00

By Act of the Iowa Legislature, approved March 22, 1858, the Des Moines received a grant of approximately 465,000 acres of lands in that state. The Des Moines realized a net amount of \$2,587,052.85 from a sale of a portion of these lands. The unsold lands were conveyed to the Des Moines and Fort Dodge Railroad Company subsequent to the foreclosure sale of the property of the Des Moines. No concessions have been made to the United States Government on account of this land grant.

The area and present value of lands, acquired as aids or donations, are as follows:

	Area	Present value
Common-carrier lands.....	622.01	\$203,712.95
Noncarrier lands.....	0.8	680.00

The value of these lands at the time acquired can not be determined.

Materials and Supplies.—The Keokuk does not maintain a stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the values here reported, the values, as that term is used in the Interstate Commerce Act, of the property of the Keokuk owned but not used, devoted to common carrier purposes, are found to be as follows:

Owned but not used:

Leased to:

The carrier	\$3,450,000
Chicago, Burlington & Quincy Railroad Company	14,958
Total owned	3,464,958

No working capital, including materials and supplies, is found to be owned and used by the Keokuk, a non-operating company.

[fol. 756] Choctaw, Oklahoma and Gulf Railroad Company

Location and General Description of Property.—The railroad of Choctaw, Oklahoma and Gulf Railroad Company, hereinafter called the Choctaw, is a single track, standard gauge, steam railroad, of which the main line extends from Hopefield, Ark., a point on the Mississippi River opposite Memphis, Tenn. westwardly through the states of Arkansas and Oklahoma, to the Texas-Oklahoma boundary at Texola, Okla. Branch lines extend from Benton to Hot Springs and Malvern, Ark., Branch Junction to Ardmore, Okla., Tecumseh Junction to Asher, Okla., and Geary, Okla., to Anthony, Kans. Besides the above described property, the Choctaw owns certain track other than main track located at Memphis, Tenn. All of the carrier property of the Choctaw is leased to and operated by the carrier.

The wholly owned mileage of the Choctaw embraces the following:

	Miles of main track	Miles of all track
Within Arkansas	322,239	454,210
" Kansas	14,695	16,793
" Oklahoma	641,260	869,564
" Tennessee		4,295
Total	978,194	1,344,862

The Choctaw also owns jointly with other carriers 3,957 miles of track other than main track located at various terminals along its line.

Jointly Used Property.—Under the caption "Reproduction Cost New" will be found a statement showing the property jointly owned.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under the respective headings in the portion of this report devoted to the operating road, the carrier and in Appendix 1.

Corporate History.—The Choctaw was incorporated under Act of Congress, approved August 24, 1894, for the purpose of acquiring the property, rights and franchises of the Coal Railway, which had been sold under foreclosure, on September 8, 1894, to a reorganization

committee. This property, embracing approximately 98 miles of main line, was conveyed to the Choctaw, on October 3, 1894.

The Choctaw, subsequently, on the dates indicated below, acquired the property, rights and franchises of the following companies, the main line mileage acquired being also given in the table below:

Date of acquisition		Name	Miles of main line acquired
June	30, 1900.	The Memphis	282
October	12, 1900.	The Tecumseh	0
September	14, 1901.	The Lonoke	10
May	1, 1902.	The Western	158
[fol. 757]			
May	3, 1902.	The Northern	136
May	10, 1902.	The Hot Springs.....	40
Total main line mileage acquired by purchase..			631

The Choctaw added 266 miles of main line by construction, which, together with the 98 miles acquired from the Coal Company and 631 miles from other predecessors, made a total of approximately 995 miles of main line, acquired in reorganization, by purchase and by construction. Seventeen miles of main line were subsequently abandoned, leaving a little over 978 miles as the present main line mileage of the Choctaw.

The Memphis was preceded by five antecedent companies. None of the other companies, the property of which was acquired by the Choctaw, acquired any of their property from predecessors. Further facts with regard to the development of fixed physical property of the Choctaw are given in Appendix 2.

History of Corporate Financing, Capital Stock, and Long-term Debt.—Up to date of valuation, the Choctaw incurred capital liabilities as follows:

In acquisition of property of predecessors:

Issued:

Capital stock, common.....	\$5,835,000.00
Capital stock, preferred.....	1,762,500.00
Funded debt	10,604,205.21
Total.....	\$18,201,705.21

Assumed:

Funded debt	4,196,736.17
Total issued or assumed in acquisition of property of predecessors.....	22,398,441.38

Additional securities issued for cash, as stock dividend, to retire previous issues of securities, for equipment, interest, etc.:

Capital stock, common.....	\$3,992,500.00
Capital stock, preferred.....	4,237,500.00
Funded debt	5,613,790.56
Total	13,843,790.56
Non-negotiable debt to affiliated companies.....	1,314,501.93
Grand total	37,556,733.87

Prior to valuation date, the Choctaw retired \$5,863,751.91 of funded debt, previously issued or assumed, which left outstanding, on valuation date, capital liabilities aggregating \$31,692,981.93, made up as follows, all of which, except the non-negotiable debt to affiliated companies, are in the hands of the public:

[fol. 758] Common stock	\$9,827,500.00
Preferred stock	6,000,000.00
Funded debt	14,550,980.00
Non-negotiable debt to affiliated companies	1,314,501.93
Total	31,692,981.93

Between 1896 and 1902 the Choctaw issued \$2,771,891.09 of short-term notes, of which \$2,016,891.09 were retired with cash prior to November 1, 1902, and the balance of \$755,000, due the carrier, was, on November 30, 1902, transferred to the non-negotiable debt account.

A detailed statement of the syndicating, banking and other financial arrangements of the Choctaw, showing, among other things, the increase or decrease in securities consequent upon the sale of property to the Choctaw or its predecessors, and statements showing the total capital liabilities incurred, short-term notes issued, the considerations received therefor, securities subsequently retired and the discount suffered in the issuance and retirement of securities, are given in Appendix 2.

Gross and Net Earnings of the Choctaw. The result of the corporate operations of the Choctaw from October 3, 1891, to date of valuation, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings (railway operating revenues).....	\$26,290,750.56
Operating expenses (railway operating expenses) ..	16,187,138.49
Resulting in net earnings (net revenue from railway operations) of.....	10,103,612.07

During the same period taxes assessed (railway tax accruals) amounted to	\$623,293.34	
Uncollectible railway revenues amounted to	2,358.14	
	<hr/>	625,651.48
Resulting in an income from railway opera- tions (railway operating income) of		9,177,960.59
In addition to this there were reve- nues from miscellaneous opera- tions of	60,708.74	
Also income from nonoperating sources (nonoperating income) of	9,086,042.06	
	<hr/>	9,146,750.80
Resulting in gross income for the period (gross income) of		18,624,711.39
During this period rents (chargeable to deductions from gross income) amounted to		308,518.97
	<hr/>	
Resulting in an amount available for the payment of interest and dividends and for other corporate purposes (chargeable to de- ductions from gross income and to dis- position of net income) of		18,316,192.42

[fol. 759] Dividends have been paid on the common and preferred stock in the aggregate sum of \$4,238,000.75, as follows:

Year	Common stock		Preferred stock		Total
	Rate	Amount	Rate	Amount	
1898	.....	.....	5 per cent.	\$199,925.00	\$199,925.00
1899	2 per cent.	\$75,000.00	5 "	199,992.50	274,992.50
1900	4 "	189,407.00	5 "	249,092.50	438,499.50
1901	4.5 "	320,000.00	5 "	300,000.00	620,000.00
1901	10 "	800,000.00	.....	.....	800,000.00
1902	3 "	264,000.00	2.5 "	150,000.00	414,000.00
1904	10.6 "	1,040,583.75	7.5 "	450,000.00	1,490,583.75
Total	.....	2,688,990.75	.....	1,549,010.00	4,238,000.75

Of the total amount of dividends paid, \$1,947,417 was charged to income account and \$2,290,583.75 to profit and loss.

The dividend of 10 per cent on the common stock in 1901, was paid in common stock of the Choctaw. At a meeting of the board of directors held on April 1, 1904, dividends of 7½ per cent on the preferred and 6 per cent on the common stock were declared, payable from the assets of the Choctaw, and a further dividend on the common stock to the amount of the excess of available assets over current liabilities, which amounted to 4.6 per cent. The total dividends for 1904, \$1,490,583.75, were paid by transferring all the cash and current assets and current liability accounts recorded on the books of the Choctaw to the books of the carrier, owner of all the capital stock and lessee of the property.

General Balance Sheet.—The general balance sheet stated by the Choctaw, as showing its financial condition on date of valuation, follows:

<i>Assets</i>	
Investments:	
Investment in road and equipment	\$32,357,599.25
Miscellaneous physical property	362,174.88
Investments in stocks	10,000.00
Investments in advances	271,993.47
Total	\$33,001,767.60
Current assets:	
Interest and dividends receivable	700.00
Total	33,002,467.60
<i>Liabilities</i>	
Stock:	
Capital stock	\$15,827,500.00
Long-term debt:	
Funded debt unmaturing	\$14,550,980.00
Non-negotiable debt to affiliated companies	1,311,501.93
	15,865,481.93
[fol. 760] Deferred liabilities:	
Other deferred liabilities	25,170.00
Corporate surplus:	
Profit and loss—credit balance	1,284,315.67
Total	33,002,467.60

Investment in Road and Equipment.—The investment in road and equipment, including land, on valuation date, is stated in the books of the Choctaw to be \$32,357,399.25. As stated in Appendix 2, this amount, besides being comprised of unlike factors which cannot properly be added together, includes certain charges which are erroneous on the face of the accounts and omits certain items apparently chargeable to this account. If these apparent errors be taken into account, the Choctaw's investment in road and equipment, including its investment in coal mining leaseholds and improvements thereon and in unsold land grant lands, received respectively from the Coal Railway and the Memphis, would appear to be as follows:

Par value of securities, the cash value of which at time issued or assumed is unknown.....	\$22,398,441.38
Recorded cash expenditures.....	7,345,346.07
Net current liabilities assumed.....	667,192.20

Since the above items comprise unlike factors which cannot properly be combined, unless reduced to a common denominator, such as their money equivalent, it is impossible to state one sum, in terms of money, as representing the carrier's investment in road and equipment.

Further details on this subject are given in Appendix 2.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

Exclusive of the unascertainable outlay in property established by the Little Rock No. 1, Little Rock No. 2, Little Rock No. 3, Little Rock No. 4, Bridge Company, Tecumseh, and White River, of outlay from cash donations received by construction companies in aid of constructing the lines of the Southern and of the Memphis and of the cost to donors or value at times donated of donated common-carrier lands, but including an indeterminate amount, representing the cost of certain noncarrier lands and townsite privileges, which the Western sold for \$29,043.78, and the portion of amounts recorded by the Hot Springs as cost of additions and betterments and cost of change from narrow to standard gauge, which should have been charged to operating expenses, the cost to all persons whomsoever of common-carrier property, including land, appears to have been as follows:

Recorded money outlay.....	\$21,743,415.41
Outlay in securities, at a par value of.....	3,395,000.00

The Choctaw charged \$101,030.77 to profit and loss, and to Hot Springs, one of its predecessors, charged \$286,983.18 as a deduction from gross income, and \$128,859.44 to profit and loss, which amounts purport to represent expenditures for additions and betterments. The last three amounts named include expenditures by the Hot Springs for the change from narrow to standard gauge, an indeterminate portion of which should be considered as operating expenses. In the absence of details regarding the circumstances under which

these charges were made, these amounts are not included in the above statement of outlay.

[fol. 761] The derivation of these amounts is explained in Appendix 2.

A summary of the original cost of lands, separately considered, is given elsewhere in this order, and the details of the costs of lands, equipment, roadway machines and shop machinery are given in Appendix 2.

Cost of Reproduction New and Cost of reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation, of all common-carrier property, other than land, owned by the Choctaw, are as follows:

	Cost of reproduction	
	New	Less depreciation
Entire line:		
Wholly owned but not used, leased to the carrier	\$39,393,517	\$39,789,483
Jointly owned but not used, leased to the carrier:		
At Bridge Junction, Ark., .974 of a mile of track with the St. Louis-San Francisco Railway Company, ownership 50 per cent each, Choctaw's portion	657	561
At Augusta, Ark., .331 of a mile of track, with the St. Louis South-west Railway Company, ownership 50 per cent each, Choctaw's portion	1,239	1,133
At Wilburton, Okla., .366 of a mile of track, with the Missouri, Kansas and Texas Railway Company, ownership 50 per cent each, Choctaw's portion	2,025	1,621
At McAlester, Okla., .476 of a mile of track, with the Missouri, Kansas and Texas Railway Company, ownership 50 per cent each, Choctaw's portion	1,870	1,347
At Oklahoma City, Okla., 1.296 miles of track, with St. Louis-San Francisco Railway Company, ownership 50 per cent each, Choctaw's portion	5,215	4,169

	Cost of reproduction	
	New	Less depreciation
At Oklahoma City, Okla., .529 of a mile of track, with St. Louis-San Francisco Railway Company, ownership 50 per cent each, Choctaw's portion	2,305	1,768
Total	13,311	10,599
Total owned	39,406,828	30,800,082
Within Kansas:		
Wholly owned but not used, leased to the carriers.....	253,398	185,678
[fol. 762] Within Arkansas:		
Wholly owned but not used, leased to the carrier.....	13,998,962	11,985,357
Jointly owned but not used, leased to the carrier, details shown under "Entire Line".....	1,896	1,694
Total owned	14,000,858	11,987,051
Within Tennessee:		
Wholly owned but not used, leased to the carrier.....	64,926	51,714
Within Oklahoma:		
Wholly owned but not used, leased to the carrier.....	19,316,542	15,437,573
Jointly owned but not used, leased to the carrier, details shown under "Entire Line".....	11,415	8,905
Total owned	19,327,957	15,446,478
Not distributed by states:		
Wholly owned but not used, leased to the carrier.....	5,759,689	3,129,161

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix I.

Cost of lands, rights-of-way, and terminals at the time of their dedication to public use, the present value and excess cost of acquisition of the same.—The Choctaw owns 14,862.26 acres of lands devoted to common-carrier purposes, all of which are leased to the carrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. The area, present value and excess cost of condemnation of the above lands may be classified as follows:

	Area in acres	Present value	Excess cost of condemnation
Owned but not used:			
Leased to the carrier.....	14,862.00	\$3,115,204.21	\$2,585,641.40
Leased to the carrier, and sub- let to the St. Louis South- western Railway Co.....	0.77	19.25	30.18
Total	14,862.86	3,115,223.46	2,585,641.58
Leased, but used exclusively by the carrier.....	8.03	328,584.50	0.00

The area, present value and excess cost of condemnation of the above lands, distributed by states are as follows:

[fol. 763]	Area in acres	Present value	Excess cost of condemnation
Kansas:			
Owned but not used:			
Leased to the carrier.....	204.83	\$18,984.95	\$18,845.92
Arkansas:			
Owned but not used:			
Leased to the carrier.....	4,904.33	901,920.00	778,030.50
Leased to the carrier, and sub- let by it to the St. Louis Southwestern Ry. Co.....	0.77	19.25	30.18
Total	4,905.10	901,948.94	778,060.68
Leased but used exclusively by the carrier.....	0.15	15,001.50	0.00
Oklahoma:			
Owned but not used:			
Leased to the carrier.....	9,751.22	2,154,061.57	1,757,043.43
Tennessee:			
Owned but not used:			
Leased to the carrier.....	1.71	40,228.00	31,721.55
Leased but used exclusively by the carrier.....	7.88	313,583.00	0.00

Rights in Public Domain and Private Lands.—The present value of rights in public domain and in private lands owned by the Choctaw, leased to the carrier, is found to be as follows:

	Rights in public domain	Rights in private lands
In Arkansas	\$200.50	\$37.50
In Oklahoma	700.00	325.00
Total	<u>900.50</u>	<u>362.50</u>

Information respecting original cost of rights owned will be found in Appendix 2.

Property Held for Purposes Other Than Those of a Common Carrier.—The Choctaw owns certain lands which have been classified by us as noncarrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. The area and present value of the noncarrier lands, including the value of improvements thereon, are as follows:

State	Area in acres	Present value
Arkansas	24,146.985	\$130,765.01
Oklahoma	217.90	6,046.97
Total	<u>24,364.885</u>	<u>136,811.98</u>

[fol. 764] The Choctaw owns certain structures used for noncarrier purposes, but which are located on common-carrier lands in the state of Tennessee. The present value of these structures is found to be \$17,008. The Choctaw also owns certain coal mining leaseholds located in Oklahoma, and the mining improvements that have been made thereon, which it acquired from the Coal Railway. The entire cost to the Choctaw of all the property so acquired was included by it in its investment in road and equipment account. Subsequent to its acquisition, the Choctaw made additions and betterments to the mining property charging \$362,174.88 of the expenditures so incurred to investment in miscellaneous physical property; \$234,065.29 to investment in road and equipment, and \$345,847.55 to profit and loss.

The Choctaw has certain investment in the securities of other companies. These holdings have an aggregate par value of \$1,409,243.47, and are carried on the books at an aggregate book value of \$281,993.47.

Further information pertaining to the above topic will be found in Appendix 2.

Aids, gifts, grants of rights-of-way, and donations.—The predecessors of the Choctaw received through certain acts of Congress a land grant of 184,657.33 acres of land, the sales from which have yielded

to the Choctaw and its predecessors net proceeds of \$163,518.51. The Choctaw still owns 24,048.30 acres which are held by the Improvement Company as trustee. The area and present value of all the donated lands owned by the Choctaw on date of valuation, including the above 24,048.30 acres, are as follows:

	Area in acres	Present value
Common-carrier lands:		
In Kansas	23.60	85,739.95
In Arkansas	3,038.97	387,283.53
In Oklahoma	821.45	618,983.97
Total	3,844.02	1,042,007.45
Noncarrier lands:		
In Arkansas	24,075.70	88,472.82
In Oklahoma	38.33	3,724.25
Total	24,114.03	92,197.07

The value of these lands at the time acquired can not be determined.

The Choctaw and its predecessor, the Northern, received cash donations of \$25,733.06 and \$3,021.01, respectively. The Watonga Construction Company received and retained cash donations aggregating \$26,600, given in aid of the construction of the Northern, and the Choctaw Construction Company received and retained cash donations aggregating \$67,350, given in aid of constructing the line of the Memphis.

Materials and Supplies.—The Choctaw does not maintain a stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein [fol. 765] contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the values here reported, the values, as that term is used in the Interstate Commerce Act, of the property of the Choctaw owned but not used and leased but not used, devoted to common carrier purposes, are found to be as follows:

Owned but not used, leased to the carrier.....	\$35,500,000
Leased from private parties, and re-leased to the carrier.....	328,585
Total owned	35,500,000
Total leased to the carrier.....	35,828,585

No working capital, including materials and supplies, is found to be owned and used by the Choctaw, a non-operating company.

[fol. 766] contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the values here reported, the values, as that term is used in the Interstate Commerce Act, of the property of the Choctaw owned but not used and leased but not used, devoted to common carrier purposes, are found to be as follows:

Owned but not used, leased to the carrier.....	\$35,500,000
Leased from private parties, and released to the carrier.....	328,585
Total owned	<u>35,500,000</u>
Total leased to the carrier.....	<u>35,828,585</u>

No working capital, including materials and supplies, is found to be owned and used by the Choctaw, a non-operating company.

[fol. 767] Rock Island, Arkansas and Louisiana Railroad Company

Location and General Description of Property.—The railroad of Rock Island, Arkansas and Louisiana Railroad Company, hereinafter called the Louisiana, is a single track, standard gauge, steam railroad, of which the main line is in three segments, the first extending from Biddle to Benton, Ark., the second from Haskell, Ark., to Packton, La., and the third from Alexandria to Eunice, La., a distance of 21,992, 208,638 and 55,353 miles, respectively. Branch lines extend from Tinsman to Grossett, Ark., and from Malvern to Kent, Ark., distances of 43.282 and 51.835 miles, respectively. The Louisiana also owns .43 of a mile of main track and .931 miles of yard tracks and sidings at Camden, Ark.

The first and second segments of the main line above described, are connected by the line of the Choctaw, extending from Benton through Haskell to Malvern, Ark., which also connects the main line of the Louisiana with the branch extending from Malvern to Kent. The second and third segments of the main line are connected by lines of the Louisiana And Arkansas Railway Company and the Louisiana Railway and Navigation Company, respectively 35.2 and 2.69 miles in length, over which the carrier has trackage rights under leases executed to the Louisiana. The carrier also has trackage rights, under a lease executed to the Louisiana, over 2.18 miles of track of the St. Louis Southwestern Railway Company, extending from Kent to Camden, Ark.

The wholly owned mileage of the Louisiana embraces the following:

Within Arkansas:	Miles of main track	Miles of all track
Biddle to Benton.....	21,992	25,563
Haskell to Arkansas-Louisiana boundary	116,479	147,259
Tinsman to Crossett.....	43,282	49,115
Malvern to Kent.....	54,835	59,064
At Camden	430	1,361
Total	237,018	283,362
Within Louisiana:		
Arkansas-Louisiana boundary to Packton	92,159	114,827
At Alexandria		2,787
Alexandria to Eunice.....	55,353	63,954
Total	147,512	181,568
Grand total	384,530	464,930

Jointly Used Property.—The Louisiana uses no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under the respective headings in the portion of this order devoted to the carrier and in Appendix 1.

Corporate History.—The Louisiana was incorporated under the laws of Arkansas and Louisiana, as a consolidation of the second [fol. 768] Arkansas, the Southern, and the Little Rock. The articles of consolidation were filed in Arkansas on October 31, 1905, and in Louisiana on November 2, 1905. The Louisiana has its principal office in Little Rock, Ark. Control of the Louisiana is vested in the carrier through ownership of its entire capital stock.

The property acquired in the consolidation of October 31, 1905, and by purchase from the Little Rock and Hot Springs Western Railroad Company and from the Malvern, and the property constructed by the Louisiana, is described in Appendix 2, under the caption "Development of fixed physical property."

All of the property of the Louisiana is operated by the carrier under a lease for 999 years entered into on January 31, 1906.

History of Corporate Financing, Capital Stock, and Long-term Debt.—The total outstanding capital liabilities of the Louisiana are as follows:

Capital stock	\$1,768,000.00
Funded debt	13,418,600.00
Non-negotiable debt	27,721.73
Total	15,214,321.73

Statements of the syndicating, banking and other financial arrangements entered into by the Louisiana and of the total capital liabilities incurred, the apparent considerations received therefor and retirements of securities, are given in Appendix 2.

Gross and net earnings of the Louisiana.—The result of the corporate operations of the Louisiana from October 31, 1905, to May 31, 1906, was included in the accounts of the second Arkansas and has not been segregated. The result of its corporate operations from June 1, 1906, when the carrier took over the operation of the property, to date of valuation, was as follows:

Income from lease of road	\$513,144.00
Deductions:	
Interest on funded debt	513,144.00
Net income	nil

The Louisiana has paid no dividends on its capital stock.

General Balance Sheet.—The general balance sheet stated the Louisiana, as showing its financial condition on date of valuation follows:

Assets

Investments:

Investment in road and equipment	\$14,864,781.13
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Liabilities

Capital liabilities:

Capital stock	\$1,768,000.00
Funded debt unmatured	13,418,600.00
[fol. 769] Non-negotiable debt to af-	
filiated companies	27,721.73

Total liabilities	15,214,321.73
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Corporate surplus:

Profit and loss debit balance	349,540.60
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Total after deducting deficit	14,864,781.13
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Investment in Road and Equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the Louisiana to be \$14,864,781.13. As explained in Appendix 2, this amount, besides being comprised of unlike factors which cannot properly be added together, includes certain charges erroneous on the face of the accounts.

If adjustments were made, in the manner indicated in Appendix 2, the Louisiana's recorded investment in road and equipment, including investment in non-carrier lands for which it reported \$27,-

525 of costs supported by the accounts, \$5 of costs not supported by the accounts, and \$1,477.50 of proceeds from part parcels sold, would appear to be as follows:

Recorded cash expenditures	\$7,664,480.95
Recorded considerations other than cash:	
Par value of securities	3,483,600.00
Non-negotiable debt of predecessor companies assumed	2,199,477.16
Excess of liabilities of the Malvern over assets acquired	8,277.83
Less the excess of certain assets acquired from the Arkansas 2 over liabilities assumed	156,981.01

The last item above stated is, as indicated, a credit which must be regarded as in part offsetting the other items stated. Since the above items comprise unlike factors which cannot properly be combined, unless reduced to a common denominator, such as their money equivalent, it is impossible to state one sum, in terms of money, as representing the carrier's investment in road and equipment.

Original cost to date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The cost to all persons whomsoever of common-carrier property as a whole, including land, exclusive of the unascertainable outlay of the Little Rock and Hot Springs Western Railroad Company in 22 miles of line between Bidle and Benton, Ark., which the Louisiana purchased for \$453,600 par value of 4 per cent notes, and of the cost to donors or value at time donated of donated common-carrier lands, appears to have been as follows:

Recorded money outlay	\$11,183,182.83
Outlay in securities at a par value of	1,120,999.31

The Arkansas (2), one of the predecessors of the Louisiana, charged \$72,774.23 to income, purporting to represent expenditures for additions and betterments. In the absence of details regarding the circumstances under which this charge was made, this amount is not included in the above statement of outlay.

[fol. 770] The derivation of the amounts given in the preceding paragraphs is explained in Appendix 2.

A summary of the original cost of lands, separately considered, is given elsewhere in this order, and the details of the costs of lands, equipment, roadway machines, shop machinery and power-plant machinery are given in Appendix 2.

Cost of Reproduction New and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation, of all common-carrier property, other than land, wholly owned by the Louisiana, which property is exclusively used by the carrier, are \$11,781,218 and \$9,884,803, respectively, which amounts are apportioned by states as follows:

Cost of reproduction

	New	Less depreciation
In Arkansas	\$6,623,217	\$5,853,036
In Louisiana	3,436,744	2,770,161
Not allocated to states	1,741,257	1,261,606
Total owned	11,801,218	9,884,803

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, Present Value, and Excess cost of Condemnation of the Same.—The Louisiana owns 6,590 acres of lands devoted to common-carrier purposes, all leased to the carrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their area, present value and excess cost of condemnation may be classified as follows:

Owned but not used, leased to the carrier.

	Area in acres	Present value	Excess cost of condemnation
In Arkansas	4,487.11	\$212,884.65	\$195,869.51
In Louisiana	2,102.89	138,318.45	140,344.69
Total owned, ..	6,590.00	351,163.10	336,214.20

Rights in Private Lands.—The Louisiana owns certain rights in private lands, all of which are included in its lease to the carrier. The present value of these rights is as follows:

Arkansas	\$150
Louisiana	60
Total	210

[fol.771] Information respecting the original cost of rights owned will be found in Appendix 2.

Property Held for Purposes Other Than Those of a Common Carrier.—The Louisiana owns 405.69 acres of lands which we have classified as noncarrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value is shown in the following table:

	Area in acres	Present value
Arkansas	36.27	\$816.08
Louisiana	369.42	13,455.80
Grand total	405.69	14,271.88

Aids, Gifts, Grants of Rights-of-way, and Donations.—Tax subsidies were voted by various parishes in Louisiana in aid of construction of the Arkansas 2, upon which \$30,114.66 was collected. That company also received \$3,704.25 in donations from the town of Ruston, La.

A portion of the carrier and a portion of the noncarrier lands owned by the Louisiana were received as aids or donations. The classification, area and present value of these lands are as follows:

	Area in acres	Present value
Common-carrier lands:		
Located in Arkansas	1,031,795	\$38,555.59
Located in Louisiana	912,370	33,697.30
Total	1,944,165	72,252.89
Noncarrier lands:		
Located in Arkansas	36.27	\$16.08
Located in Louisiana	1.36	122.46
Total	37.63	938.48

The value of these lands at the time acquired cannot be ascertained.

Materials and Supplies.—The Louisiana does not maintain a stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, at that term is used in the Interstate Commerce Act, of the property of the Louisiana owned but not used, devoted to common carrier purposes, is found to be \$10,750,000.

No working capital, including materials and supplies, is found to be owned and used by the Louisiana, a non-operating company.

[fol. 772] St. Paul and Kansas City Short Line Railroad Company

Location and General Description of Property.—The railroad of St. Paul and Kansas City Short Line Railroad Company, hereinafter called the Short Line, is a single track, standard gauge, steam railroad, in two sections, both located entirely within the state of Iowa. One section extends from Clear Lake Junction to Des Moines and the other from Carlisle to Allerton. The two sections are connected by the line of the carrier extending from Des Moines to Carlisle.

The total tracks owned by the Short Line, including the main line above described, and certain mine spurs and other tracks, are indicated below:

	Main tracks miles:	Other tracks miles:	All tracks miles:
Wholly owned:			
Clear Lake Junction to Des Moines, Ia.	118.003	28.049	146.055
Carlisle to Allerton, Ia.	64.633	9.758	74.391
Obmetz mine spur	8.198	1.222	9.420
Inland mine spur	1.789	1.057	2.846
Total	192.623	40.086	232.712

Jointly owned:

At Mason City, Ia., with the Chicago Great Western Railroad Company	0.385	0.385
At Iowa Falls, Ia., with the Chicago and North Western Railroad Company	0.467	0.467
Total	0.852	0.852

Jointly Used Property.—Under the caption "Reproduction Cost New" will be found a statement showing the property jointly owned.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under the respective headings in the portion of this order devoted to the operating road, the carrier, and in Appendix 1.

Corporate History.—The Short Line was incorporated on February 18, 1911, under the general laws of Iowa. It was organized in the interests of the carrier, by which it is controlled through ownership of its entire outstanding capital stock, for the purpose of acquiring the property of the St. Paul Company and of constructing a connection between it and the carrier's line to Kansas City.

The property, rights and franchises of the St. Paul Company were acquired by the Short Line on August 9, 1911, embracing 115 miles of road between Clear Lake Junction and East Des Moines, Ia. Previously, on May 19, 1911, the Short Line had purchased 3 miles of road, from Des Moines to East Des Moines, which had constituted part of the line of the Des Moines Western Railway Company. During the years 1911 to 1913, inclusive, the Short Line constructed 65 miles of main line, between Carlisle and Allerton, Ia., and various spurs, aggregating about 40 miles in length.

[fol. 773] The Short Line operated the Winterset and the Indianola branches of the carrier between July 1, 1913, and November 1, 1913, under lease. On the latter date all the property of the Short Line was leased to the carrier for a period of 99 years.

The development of fixed physical property is set forth in Appendix 2.

History of Corporate Financing, Capital Stock, and Long-term Debt.—The total recorded capital liability of the Short Line is \$12,679,944.63, classified as follows:

Capital stock	\$50,000.00
Funded debt	12,400,790.00
Non-negotiable debt to affiliated company	228,254.63
Total	12,679,044.63

The entire amount of capital stock was purchased and is still held by the carrier.

The Short Line has issued, assumed and retired funded debt as follows:

	Issued	Assumed	Retired	Out-standing
First mortgage $4\frac{1}{2}$ per cent bonds.....	\$12,400,790	.....	.....	\$12,400,790
St. Paul Company:				
First mortgage and re-funding $4\frac{1}{2}$ per cent bonds		\$1,364,075	\$1,364,000	.....
First mortgage 5 per cent bonds of the Iowa Falls		1,036,000	1,036,000	.....
Iowa Falls equipment ob-ligations		5,000	5,000	.....
Iowa Falls equipment bonds		80,000	80,000	.....
Totals	12,400,790	2,485,000	2,485,000	12,400,790

The non-negotiable debt of \$228,254.63, represents unliquidated advances made to the Short Line by the carrier. The syndicated, banking, and other financial arrangements entered into by the Short Line, the short-term notes issued, assumed, and outstanding, and a statement of the total capital liabilities incurred and the apparent considerations received therefor are given in Appendix 2.

Gross and Net Earnings of the Short Line.—The result of the corporate operations of the Short Line from August 1, 1914, to date of valuation, is stated in detail in Appendix 3, and is summarized as follows:

Gross earnings (railway operating revenues).....	\$1,756,046.04
Operating expenses (railway operating expenses)...	1,539,039.53
Resulting in net earnings (net revenue from railway operations) of.....	216,976.53
[fol. 774] During the same period taxes assessed (railway tax accruals) amounted to.....	54,910.06
Resulting in an income from railway operations, exclusive of loss from miscellaneous operations, (railway operating income) of	162,066.57

Loss from miscellaneous operations amounted to . . .	1,214.01
Resulting in an operating income (total operating income) of	160,852.46
In addition to this there was income from non-operating sources (nonoperating income) of	738,737.90
Resulting in gross income for the period (gross income) of	899,590.36
During this period rents and hire of equipment (chargeable to deductions from gross income) amounted to	245,026.20
Resulting in an amount available for the payment of interest and dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income), of	654,564.16

If the income account of the Short Line were revised in accordance with the Commission's present accounting rules, certain readjustments detailed in Appendix 2 would have to be made, as a result of which the gross income would be decreased to \$855,757.53, and the amount available for the payment of interest and dividends and for other corporate purposes to \$610,731.33.

The Short Line has paid no dividends on its capital stock.

General Balance Sheet.—The general balance sheet stated by the Short Line, as showing its financial condition on date of valuation, follows:

Assets

Investment:

Investment in road and equipment \$12,781,152.98

Liabilities

Stock:

Capital stock \$50,000.00

Long-term debt:

Funded debt unmatured \$12,400,790.00

Nonnegotiable debt to affiliated companies 228,254.63

Corporate surplus:

Profit and loss credit balance 102,108.35

Total \$12,781,152.98

[fol. 775] Investment in Road and Equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the Short Line to be \$12,781,152.98. As explained in Appendix 2, this amount, besides being comprised of unlike factors which cannot properly be added together, includes certain charges erroneous on the face of the accounts.

If the readjustments detailed in Appendix 2 were made, the investment in road and equipment of the Short Line, including the Short Line's investment in land used partly for carrier and partly for noncarrier purposes and in one share each of the capital stock of the Des Moines Coliseum Company and the Commercial Exchange of Des Moines, would appear to be as follows:

Recorded cash expenditures.....	\$10,705,016.59
Current liabilities assumed.....	23,345.52

Since the above items comprise unlike factors which cannot properly be combined, unless reduced to a common denominator, such as their money equivalent, it is impossible to state one sum, in terms of money, as representing the carrier's investment in road and equipment.

Further details on this subject are given in Appendix 2.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The original cost to all persons whomsoever of the common-carrier property as a whole, including land, exclusive of three miles of road acquired from the Des Moines Western Railway Company, for which the Short Line paid \$151,375.79, and of the cost to donors or the value at time donated, neither of which is known, of 143.71 acres of donated common-carrier lands owned by the Short Line, but including the cost of certain lands devoted partly to carrier and partly to noncarrier purposes, appear to have been as follows:

Recorded money outlay.....	\$9,746,784.24
Outlay in securities at a par value of.....	135,000.00

The derivation of these amounts is explained in Appendix 2.

A summary of the original cost of lands, separately considered, is given elsewhere in this order and the details of the cost of lands, equipment, roadway machines and shop machinery are given in Appendix 2.

Cost of Reproduction New and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned by the Short Line, are as follows:

	Cost of reproduction	
	New	Less depreciation
Wholly owned but not used, leased to the carrier	\$7,930,169	\$6,964,230
[fol. 776] Jointly owned but not used, leased to the carrier:		
At Mason City, Ia., 385 of a mile of track with the Chicago Great Western Railroad Company, ownership 50 per cent each, Short Line's portion	3,304	2,721
At Iowa Falls, Ia., 467 of a mile of track, with the Chicago and North Western Railway Company, ownership 50 per cent each, Short Line's portion . . .	458	329
Total	3,762	3,050
Total owned	7,933,931	6,967,280

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 2.

Cost of Lands, Rights-of-way and Terminals at the Time of Their Dedication to Public Use, Present Value, and Excess Cost of Condemnation of the Same.—The Short Line owns 3,877.23 acres of common-carrier lands, all leased to the carrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value and excess cost of condemnation are found to be \$1,027,660.86 and \$996,146.98, respectively.

The original cost of condemnation and damages or of purchase of lands, owned and used by the carrier for common-carrier purposes in excess of the original cost of such lands cannot be ascertained.

Rights in Public Domain and Private Lands.—The present value of rights in public domain and in private lands owned by the Short Line and used by the carrier are found to be \$6,165 and \$2,975, respectively.

Information respecting original cost of these rights will be found in Appendix 2.

Property Held for Purposes Other Than Those of a Common Carrier.—The Short Line owns 275.69 acres of lands, which we have classified as noncarrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value, including the value of improvements thereon, is \$37,651.70.

Aids, Gifts, Grants of Rights-of-way and Donations.—The Short Line or its predecessors received as aids or donations 143.71 acres of land classified as used for common-carrier purposes, having a present

value of \$31,859.29. The value of this land at the time acquired can not be ascertained.

Materials and Supplies.—The Short Line does not maintain a stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein [fol. 777] contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Short Line owned but not used, devoted to common carrier purposes, is found to be \$8,400,000.

No working capital, including materials and supplies, is found to be owned and used by the Short Line, a non-operating company.

[fols. 778 & 779] Rock Island and Dardanelle Railway Company

Location and General Description of Property.—The railroad of Rock Island and Dardanelle Railway Company, hereinafter called the Dardanelle is a single track, standard gauge, steam railroad, located entirely within the state of Arkansas, and extending from Ola to Dardanelle, a distance of 13.915 miles. Besides the main track between the points named, the Dardanelle owns .721 of a mile of other tracks, making a total of 14.636 miles of all tracks.

Jointly Used Property.—The Dardanelle uses no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under their respective headings in the portions of this report devoted to the operating road, the carrier, and in Appendix 1.

Corporate History.—The Dardanelle was incorporated on October 31, 1911, under the laws of Arkansas, in the interest of the Commonwealth Trust Company of St. Louis, Mo., for the purpose of acquiring the property of the Ola, which had been sold at foreclosure sale, on July 7, 1911, to W. V. Delahunt, trustee, Delahunt conveyed the property, embracing all the mileage now owned, to the Dardanelle, by deed dated November 25, 1911.

All of the capital stock of the Dardanelle is owned by the carrier and its property is leased to the carrier for sole operation.

The Dardanelle possesses no general books.

History of Corporate Financing, Capital Stock, and Long-term Debt.—The total recorded capital liability of the Dardanelle is \$200,000, as follows:

Capital stock	\$100,000
First mortgage 5 per cent bond.....	100,000
Total	200,000

The above securities, other than which none have been issued by the Dardanelle, were given for the property, rights and franchises

acquired from Delahunt. These securities were acquired by the Commonwealth Trust Company, as creditor of the Ola, and were conveyed to the carrier immediately thereafter for the sum of \$95,000, the carrier receiving at the same time \$2.09, which was then in the treasury of the Dardanelle. The net cost to the carrier of the outstanding securities of the Dardanelle was, therefore, \$94,997.91.

Gross and Net Earnings of the Dardanelle.—No income account has been kept by the Dardanelle. The rental to be paid by the carrier for the use of the property is an amount equal to the interest on the outstanding bonds, all of which are owned by the carrier. The carrier does not record the accrual of interest on these bonds or the payment of the rental.

General Balance Sheet.—Since the Dardanelle possesses no general books, a general balance sheet cannot be supplied.

[fol. 780] Investment in Road and Equipment.—No general books of the Dardanelle being obtainable, nothing can be stated as to what amount it considers as its investment in road and equipment.

Original Cost to Date.—The absence of books of accounts, not only of the Dardanelle but also of its predecessor, precludes any statement of original cost of the property either as a whole or for any considerable portion thereof.

To acquire the property of its predecessor the Dardanelle gave \$100,000 par value of capital stock and \$100.00 par value of first mortgage 5 per cent bonds. The relative value of these stocks and bonds is reflected in their purchase by the carrier immediately subsequent to their issuance for \$94,997.91.

The records of the carrier show that since it has leased the property of the Dardanelle it has expended \$876.99 for additions and improvements thereon and has retired property of an estimated cost of \$2,049.45.

A statement of the original cost of lands, separately considered, is given elsewhere in this order, and statements of the cost of equipment, roadway machines and shop machinery are given in Appendix 2.

Cost of Reproduction New and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, wholly owned by the Dardanelle, which property is exclusively used by the carrier, are \$230,800 and \$198,549, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, Present Value and Excess Cost of Condemnation of the Same.—The Dardanelle owns 171.75 acres of lands devoted to common-carrier purposes, all of which are leased to the carrier. Data respecting the original cost of these lands are given in Appendix 2. Their present value and excess cost of condemnation are \$5,690.70 and \$9,554.26, respectively.

The original cost of condemnation and damages or of purchase of lands, owned and used by the carrier for common-carrier purposes in excess of the original cost of such lands cannot be ascertained.

Property Held for Purposes Other Than Those of a Common Carrier.—The Dardanelle owns no property held for purposes other than those of a common carrier.

Aids, Gifts, Grants of Rights-of-way, and Donations.—There is no record of any cash donations having been made to the Dardanelle or to its predecessor.

As previously stated, the Dardanelle or its predecessor received as aids, gifts, grants or donations 41.99 acres of common-carrier lands having a present value of \$992.56. The value of these lands at time acquired cannot be ascertained.

Materials and Supplies.—The Dardanelle maintains no stock of materials and supplies.

[fol. 781] **Final Value.**—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Dardanelle owned but not used, devoted to common carrier purposes, is found to be \$215,000.

No working capital, including materials and supplies, is found to be owned and used by the Dardanelle, a non-operating company.

[fol. 782] **Rock Island, Stuttgart and Southern Railway Company**

Location and General Description of Property.—The railroad of Rock Island, Stuttgart and Southern Railway Company, hereinafter called the Stuttgart, is a single track, standard gauge, steam railroad, located entirely within the state of Arkansas, and extending from Mesa to Stuttgart, a distance of 20.835 miles. Besides the main track between the points named, the Stuttgart owns 2.553 miles of other track, making a total of 23.388 miles of all tracks.

Jointly Used Property.—The Stuttgart uses no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under their respective headings in the portion of this report devoted to the operating road, the carrier, and in Appendix 1.

Corporate History.—The Stuttgart was incorporated on January 20, 1913, under the laws of Arkansas. Control of the Stuttgart is vested in the carrier through the ownership of its entire capital stock. All of its property is operated by the carrier under lease.

On January 22, 1913, and May 15, 1913, respectively, the Stuttgart acquired the property, rights and franchises of the Rice Belt and of the Southern. The property acquired from the Rice Belt consisted of approximately 21 miles of single track, standard gauge railroad, between Mesa and Stuttgart. That acquired from the Southern

consisted of terminal lands with some improvements in the city of Stuttgart.

History of Corporate Financing, Capital Stock, and Long-term Debt.—The consideration named in the Commission's deed, conveying to the Stuttgart the property formerly owned by the Rice Belt, was a cash payment of \$39,700 and the assumption by the Stuttgart of all the indebtedness of the Rice Belt to the carrier. The carrier advanced the funds necessary to make the cash payment and made further advances for additions and betterments and other purposes.

The Stuttgart liquidated \$180,000 of its total indebtedness so incurred by issuing a like amount of its first mortgage bonds to the carrier, leaving a balance of \$10,266.22 still due.

The capital liability of the Stuttgart, outstanding on date of valuation, is as follows:

	Gross	Held by the Stuttgart	Net
Capital stock	\$300,000.00	.....	\$300,000.00
Funded debt	225,000.00	\$45,000.00	180,000.00
Non-negotiable debt ...	10,266.22	.....	10,266.22
Total	\$535,266.22	\$45,000.00	\$490,266.22

The capital stock of \$300,000, all of which was issued to the carrier in shares of a par value of \$100, constituted the total amount authorized. Five per cent of this amount, \$15,000, was paid in cash [fol. 783] and the balance is carried as due from the carrier. Of the \$15,000 received, the Stuttgart immediately deposited \$12,800 with the carrier.

Of an authorized issue of \$1,000,000, the Stuttgart issued \$225,000 par value of first mortgage 5 per cent bonds. Of these bonds, \$45,000 are still held by the Stuttgart, and the remainder, \$180,000, was turned over to the carrier in liquidation of a like amount of indebtedness.

The non-negotiable debt of \$10,266.22 represents unpaid indebtedness of the carrier.

Gross and Net Earnings of the Stuttgart.—The result of the corporate operations of the Stuttgart from January 22, 1913, to and including January 31, 1914, during which time the property was separately operated, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings (railway operating revenues).....	\$29,289.53
Operating expenses (railway operating expenses)	40,282.73
Resulting in a deficit, instead of net earnings (net revenue from railway operations—deficit), of	10,993.20
During the same period taxes assessed (railway tax accruals) amounted to.....	1,733.29
Resulting in a deficit, instead of income from railway operations (railway operating income —deficit), of	12,726.49

Offsetting this there was income from nonoperating sources (nonoperating income) of	501.89
Resulting in a deficit, instead of gross income (gross income—deficit), of	12,224.60
During this period rents and hire of equipment (chargeable to deductions from gross income) amounted to	5,316.62
Resulting in a deficit, insted of an amount available for the payment of interest or dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income), of	17,541.22

On February 1, 1914, the lease of the property to the carrier became effective and no further record was made of the income. The rental provided for in the lease is an amount equal to the interest on the outstanding funded debt, and the carrier, as owner of the bonds, does not record the accrual of interest on them or the payment of rental for the line.

The Stuttgart has never paid dividends.

General Balance Sheet. The general balance sheet stated by the Stuttgart, as showing its financial condition on date of valuation, follows:

[fol. 784]	<i>Assets</i>	
Investments:		
Investment in road and equipment	\$178,917.16	
Investment in advances	297,800.00	
Total		\$476,717.16
	<i>Liabilities</i>	
Stock:		
Capital stock		300,000.00
Long-term debt:		
Funded debt unmaturred:		
Total issue shown on books ..	\$225,000.00	
Held by or for the Stuttgart ..	45,000.00	
Net amount outstanding against the Stuttgart	180,000.00	
Non-negotiable debt to affiliated companies	10,265.22	
Total		190,265.22
Total liabilities		490,265.22

Corporate surplus:

Profit and loss debit balance	13,549.06
Total after deducting deficit	476,717.16

Investment in Road and Equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the Stuttgart to be \$178,917.16. This amount, as indicated in Appendix 2, is made up of \$101,464.71 of recorded cash expenditures by the Stuttgart plus \$78,541.52, representing the indebtedness of the Rice Belt to the carrier, which was assumed by the Stuttgart, less \$1,089.07, representing the value of materials and supplies acquired with the property of the Rice Belt. The indebtedness to the carrier of \$78,541.52, together with the liability for advances made by the carrier to the Stuttgart, was in part liquidated, as previously indicated, by the delivery to the carrier of \$180,000 par value of first mortgage 5 per cent bonds issued by the Stuttgart; a balance of \$10,266.22 being still due the carrier.

Original Cost to Date.—The original cost to date of common-carrier property for the line as a whole cannot be ascertained, since the records of the predecessors of the Stuttgart are not obtainable. The only costs ascertainable are \$16,320.66, incurred by the Stuttgart for certain lands and additions and betterments, and costs of \$2,100.95 and \$1,656.31, respectively, for one locomotive and two units of work equipment. The Stuttgart also claims estimated costs of roadway machines and shop machinery of \$243 and \$4, respectively. As to the costs above referred to, further details are given in Appendix 2.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned by the Stuttgart, which property is exclusively used by the carrier, are \$217,976, and \$169,052, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1, [fol. 785]. **Cost of Lands, Rights-of-way, and Terminals at Time of Dedication to Public Use, Present Value and Excess Cost of Condemnation of the Same.**—The Stuttgart owns 260.55 acres of lands devoted to common-carrier purposes, all leased to the carrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value and excess cost of condemnation are \$33,516.09 and \$31,565.47, respectively.

The original cost of condemnation and damages or of purchase of carrier lands owned, in excess of the original cost of such lands, cannot be ascertained.

Property Held for Purposes other Than Those of a Common Carrier.—The Stuttgart owns 7.73 acres of lands classified herein as non-carrier with a present value of \$12,470.20. Incomplete data regarding the original cost of these lands are given in Appendix 2.

Aids, Gifts, Grants of Rights-of-way and Donations.—Obtainable records do not disclose that any cash donations have been made to the Stuttgart. It would appear that certain subscriptions were made by citizens to the Rice Belt in aid of construction, but the amount realized thereon is not of record.

The Stuttgart or its predecessors received, as aids, gifts, grants or donations, 108.85 acres of common-carrier lands and 6.53 acres of noncarrier lands, the present value of which is \$4,895.31 and \$322.45, respectively. The value of these lands at time acquired can not be ascertained.

Materials and Supplies.—The Stuttgart maintains no stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Stuttgart owned but not used, devoted to common carrier purposes, is found to be \$213,000.

No working capital, including materials and supplies, is found to be owned and used by the Stuttgart, a non-operating company.

[fol. 786] Rock Island Memphis Terminal Railway Company

Location and General Description of Property.—The Rock Island Memphis Terminal Railway Company, hereinafter called the Memphis Terminal, owns terminal facilities in Memphis, Tenn., consisting of a freight station and 4.029 miles of yard tracks and sidings, and leases certain terminal property of the Arkansas & Memphis Railway Bridge & Terminal Company.

Jointly used Property.—The Memphis Terminal uses no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under their respective headings in that portion of this report devoted to the operating company, the carrier, and in Appendix I.

Corporate History.—The Memphis Terminal was incorporated on August 19, 1913, in the interest of the carrier. Control is vested in the carrier through ownership of the entire issue of its capital stock. The carrier operates, without formal lease, the property owned and leased by the Memphis Terminal.

History of Corporate Financing, Capital Stock and Long-term Debt.—The total capital liability of the Memphis Terminal is as follows:

	Out-standing	Held by the Memphis terminal	Held by the carrier
Capital stock	\$50,000.00	\$49,000	\$1,000.00
Funded debt	1,300,000.00	....	1,300,000.00
Non-negotiable debt	137,459.94	....	137,459.94
Total	1,487,459.94	49,000	1,438,459.94

statements of the syndicating, banking and other financial arrangements entered into by the Memphis Terminal, and of the total capital securities issued, the apparent consideration received therefor, and retirements of securities, are given in Appendix 2.

Gross and Net Earnings of the Memphis Terminal.—Since its completion, the carrier has operated the property of the Memphis Terminal, including that leased to it. Since the carrier owns all the outstanding bonds of the Memphis Terminal, the latter has accrued no interest on its bonds nor any rental against the carrier. The carrier has paid expenses of operation and taxes.

The debit profit and loss balance of \$300,000 shown on the balance sheet of the Memphis Terminal represents the discount on its bonds.

General Balance Sheet.—The general balance sheet stated by the Memphis Terminal as showing its financial condition on date of valuation, follows:

[fol. 787]

Assets

Investments:

Investment in road and equip- ment	\$1,144,959.94
Investment in advances,	1,000.00
Total	\$1,145,959.94

Liabilities

Capital stock:

Total issue shown on books ..	\$50,000.00
Held by or for the Memphis Terminal	\$1,000.00
Net amount outstanding against the Memphis Terminal	\$1,000.00

Long-term debt:

Bonded debt, unamortized	1,300,000.00
Non-negotiable debt to affil- iated companies	137,459.94
Total	1,437,459.94

Current liabilities:

Audited accounts	7,500.00
Total liabilities	1,445,959.94

Corporate surplus:

Profit and loss debit balance	300,000.00
Total after deducting deficit	1,145,959.94

Investment in Road and Equipment.—The investment in road, including land, on date of valuation, is stated in the books of the Memphis Terminal to be as follows:

Construction advances by the carrier	\$1,122,155.04
Interest on above advances	56,968.79
Other expenditures	7,500.00
	1,186,623.83
Less property rentals collected	41,663.89
Net amount	1,144,959.94

The above amount represents entirely recorded money outlay in the establishment of property. It includes, however, the cost of the terminal facilities which the Memphis Terminal conveyed to the Arkansas & Memphis Railway Bridge & Terminal Company on April 1, 1915, but which are now leased by the Memphis Terminal and used by the carrier, and also \$21,496.80, representing the cost of non-carrier lands, and \$195,715.73, representing the cost of lands partly devoted to carrier and partly to noncarrier purposes, owned by the Memphis Terminal. The cost of the latter cannot be apportioned between the two uses except upon an arbitrary basis. Upon deducting the reported cost of lands devoted wholly to noncarrier purposes there remains \$1,123,463.14, which amount still includes the investment of the Memphis Terminal in Terminal facilities conveyed to the Arkansas & Memphis Railway Bridge & Terminal Company and the portion of the cost of lands devoted partly to carrier and partly to noncarrier purposes, which should be allocated to the noncarrier use. The Memphis Terminal owns no equipment.

[fol. 788] The property conveyed to the Arkansas & Memphis Railway Bridge & Terminal Company is subject to a lien of a first mortgage and outstanding bonds of \$400,000 issued under that mortgage. The deed of conveyance shows only a nominal consideration.

Original Cost to Date.—The original cost to date of the property of the Memphis Terminal can not be stated any more fully than is shown under the heading "Investment in Road and Equipment."

A summary of the original cost of lands, separately considered, is given elsewhere in this order.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned by the Memphis Terminal, which property is exclusively used by the carrier, are \$261,874. This amount, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, is given in Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, Present Value and Excess Cost of Condemnation of the Same.—The Memphis Terminal owns 14.92 acres of lands devoted to common-carrier purposes, all leased to the carrier.

A portion of these lands constitute parts of parcels, the original cost of which cannot be apportioned between the part devoted to carrier and the part devoted to non-carrier purposes. Accordingly the carrier returned \$337,558.56 as the cost of lands devoted wholly to carrier purposes and \$195,715.73 as the cost of lands devoted partly to carrier and partly to noncarrier purposes, both of which amounts are supported by accounting records.

The present value and excess cost of condemnation and the 14.92 acres of lands above referred to are \$181,604.25 and \$109,354.99, respectively.

The original cost of condemnation and damages or of purchase of carrier lands owned, in excess of the original cost of such lands, cannot be ascertained.

Rights in Public Domain.—The Memphis Terminal owns certain rights in public domain, which are leased to the carrier. The original cost of these rights is \$11,797.55. Their present value is \$16,797.55.

Information pertaining to the cost of rights in land will be found in Appendix 2.

Property Held for Purposes Other Than Those of a Common Carrier.—The Memphis Terminal owns 3.29 acres of lands which we have classified as noncarrier.

A portion of these lands constitute parts of parcels, the original cost of which cannot be apportioned between the part devoted to carrier and the part devoted to noncarrier purposes. Accordingly, the carrier returned \$21,495.80 as the cost of lands devoted wholly to [fol. 789] noncarrier purposes, and \$195,715.73 as the cost of lands devoted partly to carrier and partly to noncarrier purposes, both of which amounts are supported by accounting records.

The present value of the 3.29 acres of lands above referred to, is \$43,438.85.

Aids, Gifts, Grants of Rights-of-way and Donations.—There is no record of any aids, gifts, grants or donations having been received by the Memphis Terminal.

Materials and Supplies.—The Memphis Terminal maintains no stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which ap-

pear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Memphis Terminal owned but not used, devoted to common carrier purposes, is found to be \$700,000.

No working capital, including materials and supplies, is found to be owned and used by Memphis Terminal, a non-operating company.

[fol. 790] The Peoria and Bureau Valley Railroad Company

Location and General Description of Property.—The railroad of the Bureau Valley is a single track, standard gauge, steam railroad, located entirely within the state of Illinois, and extending from Bureau to Peoria, a distance of 46.946 miles. Besides main tracks between the points above named, the Bureau Valley owns 21.571 miles of other tracks, making a total of 68.517 miles of all tracks.

Jointly Used Property.—The Bureau Valley uses no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under the respective headings in the portion of this report devoted to the operating road, the carrier, and in Appendix 1.

Corporate History.—The Bureau Valley was incorporated in Illinois under Special Act of the General Assembly approved February 12, 1853, granting it a perpetual charter and authority to "construct a railway from the City of Peoria, Ill., to a point in Illinois below Indiantown in the valley of Bureau River." The charter was amended on February 27, 1854, to allow the terminus in the Bureau River Valley to be fixed at any place most advantageous.

The line of the Bureau Valley was constructed under contract dated May 27, 1853, by Sheffield, Farman and Company, and opened for operation on February 1, 1855, on which date it was turned over to the Chicago, predecessor of the carrier, for operation. It has, since that date, been operated by the carrier or predecessors of the carrier, the property being leased to the carrier in perpetuity under an agreement entered into with the Chicago on April 11, 1854.

History of Corporate Financing, Capital Stock and Long-term Debt.—The total capital liability of the Bureau Valley is \$1,500,000, consisting of capital stock of that par value, of which \$10,000 is held by the carrier, and the remainder by various companies and individuals. The Bureau Valley has no funded debt. Bonds were issued of a total par value of \$600,000, all of which have been retired.

Statements of the total capital securities issued, the apparent considerations received therefor and retirements thereof, and of the short-term notes issued by the Bureau Valley are given in Appendix 2.

Gross and Net Earnings of the Bureau Valley.—The Bureau Valley has never operated its own property. Since completion of construction on February 1, 1855, it has been operated by the carrier or its predecessors at an annual rental of \$125,000 per annum.

Non-operating income of \$7,508,238.79 constituted the entire recorded gross income of the Bureau Valley for the period from February 1, 1855, to and including June 30, 1915, all of which was available for the payment of interest and dividends and for other corporate purposes, chargeable to deductions from gross income and the disposition of net income.

[fol. 791] If, as indicated in Appendix 2, \$52,083.33 of delayed income credits, included by the Bureau Valley in its profit and loss account, were included in its income account, the gross income shown as available for the payment of interest and dividends and other corporate purposes, would be increased to \$7,560,322.12.

During this period dividends have been paid on the capital stock to the aggregate amount of \$6,453,568. They have been paid regularly at the rate of 8 per cent per annum since 1856, with the exception of 1869, when no dividends were paid, and the years 1870 and 1874, when but 4 per cent was paid. The dividends were suspended or reduced in these three years to provide funds to retire the Bureau Valley's bonds. Extra dividends aggregating 10 per cent have also been paid.

A detailed statement of the result of corporate operations of the Bureau Valley for the period above indicated and for the year ended with date of valuation, is given in Appendix 2.

General Balance Sheet.—The general balance sheet stated by the Bureau Valley, as showing its financial condition on date of valuation, follows:

Assets

Investments:

Investment in road and equipment	\$1,566,600.00
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Current assets:

Cash	\$14,941.31
Special deposits	324.00
Rents receivable	52,083.33

Total	67,348.64
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Grand total	1,633,948.64
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Liabilities

Stock:

Capital stock	\$1,500,000.00
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Current liabilities:

Dividends matured unpaid	324.00
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Corporate surplus:

Profit and loss, credit balance	133,624.64
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Grand total	1,633,948.64
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Investment in Road and Equipment.—The investment in road, including land, on date of valuation, is stated in the books of the Bureau Valley to be \$1,566,600, comprised of \$1,568,200 of securities given to contractors for construction, \$700 interest paid on stock scrip, during construction, less \$2,300 of proceeds from the sale of land. This amount includes the outlay of the Bureau Valley for noncarrier lands for which there is reported a substantial deed consideration of \$800. The Bureau Valley never possessed any equipment.

All expenditures for additions and betterments to the property of the Bureau Valley have been made by the carrier and its predecessors [fol. 792] and taken into the accounts of those companies. It is not possible to ascertain the amount so expended from their records.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The outlay incurred in establishing the property of the Bureau Valley, exclusive of that incurred for additions and betterments made subsequent to completion of the line, and exclusive also of the cost to donors or the value at time donated, neither of which is known, of 30.24 acres of donated common-carrier lands owned, and inclusive of outlay in noncarrier lands, for which there is reported a substantial deed consideration of \$800, was as follows:

Recorded money outlay:

Short-term note given to contractor and later paid	\$11,000.00
Interest paid on stock scrip during construction	700.00
	<hr/>
	14,700.00
Less proceeds of land sold	2,300.00
	<hr/>
Net amount	12,400.00

Outlay in securities at a par value of:

Issued to contractors for construction:

Capital stock at par	904,200.00
First mortgage 7 per cent bonds at par	300,000.00
First mortgage 8 per cent bonds at par	300,000.00
City of Peoria bonds acquired for a like amount of capital stock	50,000.00
	<hr/>
Total	1,554,200.00

A summary of the original cost of lands separately considered is given elsewhere in this order.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned by the Bureau Valley, which property is used exclusively by the carrier, are \$1,607,220 and \$1,318,717, respectively. These

amounts, classified in conformity with the classifications of expenditures for road and equipment as prescribed by us, are given in Appendix I.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, Present Value and Excess Cost of Condemnation of the same.—The Bureau Valley owns 578.74 acres of lands, all of which are leased to the carrier for common-carrier purposes. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value and excess cost of condemnation are \$244,254.39 and \$272,505.91, respectively.

The original cost of condemnation and damages or of purchase of carrier lands owned, in excess of the original cost of such lands, cannot be ascertained.

Property Held for Purposes Other Than Those of a Common-carrier.—The Bureau Valley owns 118.12 acres of lands which we have classified as noncarrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value is \$5,315.40.

Aids, Gifts, Grants of Rights-of-way and Donations.—The area and present value of donated common-carrier lands, owned on date of [fol. 793] valuation, are 30.24 acres and \$8,562.73, respectively, and of donated noncarrier lands 38.12 acres and \$1,725.40, respectively. The value of these lands at time acquired can not be determined.

Materials and supplies.—The Bureau Valley maintains no stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Bureau Valley owned but not used, devoted to common carrier purposes, is found to be \$1,650,000.

No working capital, including materials and supplies, is found to be owned and used by the Bureau Valley, a non-operating company.

[fol. 794] **White & Black River Valley Railway.**

Location and General Description of Property.—The railroad of White & Black River Valley Railway Company, hereinafter called the White River No. 2, is a single track, standard gauge, steam railroad, located entirely within the state of Arkansas. The main line extends from Brinkley to Jacksonport, a distance of 56.472 miles and a branch line extends from Wixville to Gregory, a distance of 5.963 miles, making a total of 62.435 miles of main tracks owned. Other tracks wholly owned by the White River No. 2 aggregate 7.182 miles, making a total of 69.617 miles of all tracks wholly owned. The White River No. 2 also owns jointly with the St. Louis, Iron Mountain & Southern Railway Company, 112 of a mile of yard tracks and sidings at Brinkley.

Jointly Used Property.—The White River No. 2, uses no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under the respective headings in the portion of this report devoted to the operating road, the carrier, and in Appendix 1.

Corporate History.—The White River No. 2 was incorporated on December 1, 1881, under the laws of Arkansas, as the Batesville and Brinkley Railroad Company, for the purpose of constructing and operating a railroad from Batesville to Brinkley, Ark. On January 10, 1890, the corporate name was changed to White & Black River Valley Railway Company.

On June 22, 1882, the White River No. 2 purchased, through the Southern Construction Company, the rights, franchises, and property of the Cotton Plant, including the right-of-way and a partially constructed line between Brinkley and Cotton Plant, a distance of about 9 miles. On January 10, 1890, it purchased the property, rights and franchises of the Augusta and of the White River No. 1. The former included about 6 miles of railway between Wiville and Gregory, Ark. There is no record of just what property of the White River No. 1 was conveyed.

The construction of the line between Cotton Plant and Brinkley was completed by the Southern Construction Company, a company organized by the officers and stockholders of the White River No. 2. That company also had the contract for the construction of the line from Cotton Plant to Jacksonport, but only completed the same as far as Riverside, about 21 miles, the remaining 26 miles being built under the direct supervision of the White River No. 2. The exact date that the entire line was opened for operation cannot be ascertained from obtainable records. The line was originally narrow gauge, but was changed to standard gauge in 1888.

On June 30, 1900, the White River No. 2 leased all of its property, except certain parcels of lands, to the Choctaw for the term of eighty years. The carrier assumed this lease on March 24, 1904, on which date the Choctaw leased all of its rights and property to the carrier: [fols. 795 & 796] No records of the White River No. 2, except minutes of stockholders' and directors' meetings and annual reports filed with the Commission, are available and the information secured from these sources is the basis of this report.

History of Corporate Financing, Capital Stock, and Long-term Debt.—The total capital liability of the White River No. 2 is \$1,000,000, represented by securities outstanding in the hands of the public as follows:

Capital stock	\$100,000
Funded debt	600,000
Total	1,000,000

Statements of the syndicating, banking and other financial arrangements entered into by the White River No. 2, and the total

capital liabilities incurred, the consideration received therefor and the retirements thereof, are given in Appendix 2.

Gross and Net Earnings of the White River No. 2.—The White River No. 2 operated its line independently up to July 1, 1900. There is no record of the date operations were commenced. The result of the corporate operations from July 1, 1891, to date of valuation, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings (railway operating revenues).....	\$756,336.85
Operating expenses (railway operating expenses)....	473,747.88

Resulting in net earnings (net revenue from railway operations) of.....	282,588.97
During the same period taxes assessed (railway tax accruals amounted to.....	31,293.98

Resulting in an income from railway operations (railway operating income) of.....	251,294.99
In addition to this there were revenues from miscellaneous operations of.....	349.70
Also income from non-operating sources (non-operating income) of.....	400,000.00
	<hr/> 400,349.70

Resulting in gross income for the period (gross income), all of which was available for the payment of interest and dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income) of.....	651,644.69
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During the period of July 1, 1891, to date of valuation, the White River No. 2 paid dividends aggregating \$54,000.

General Balance Sheet.—The general balance sheet stated by the White River No. 2, as showing its financial condition on date of valuation, follows:

[fol. 797]

Assets

Investments:

Investment in road and equipment.....	\$1,000,000
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Liabilities

Stock:

Capital stock	\$400,000
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Long-term debt:

Funded debt unmatured.....	600,000
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Total	<hr/> 1,000,000
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Investment in Road and Equipment.—The investment in road and equipment is stated in the annual report in the White River No. 2 to the Commission for the year ended with date of valuation to be \$1,000,000, the amount of its outstanding stocks and bonds. Of this amount, \$601,000 represents the par value of stocks and bonds given for part of the property, and \$311,000 represents the par value of stocks and bonds given to stockholders in reimbursements for advances made for construction purposes; \$88,000 represents the par value of bonds given in payment for interest and is an improper charge to investment in road and equipment. If the \$88,000 be eliminated the investment figure would be \$912,000, representing the par value of stocks and bonds.

Further facts under this heading are given in Appendix 2.

Original Cost to Date.—The original cost of each piece of common-carrier property cannot be ascertained.

The White River No. 2 is the direct or indirect successor of the Cotton Plant, the Augusta and White River No. 1. Since no accounting records are obtainable for any of these companies, the outlay in the properties to date of conveyance to the White River No. 2 cannot be stated.

A summary of the original cost of lands, separately considered, is given elsewhere in this order, and the details of the costs of lands, roadway machines, and shop machinery, are given in Appendix 2.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation, of all common-carrier property, other than land, wholly and jointly owned by the White River No. 2, is leased to the carrier, are as follows:

	Cost of reproduction	
	New	Less depreciation
Owned but not used, leased to the carrier:		
Wholly owned	\$785,403	\$630,059
Jointly owned with the St. Louis, Iron Mountain & Southern Rail- way Company, .112 of a mile of track at Brinkley, ownership .50 per cent each, portion of the White River No. 2.....	952	655
Total owned	787,355	630,714

[fol. 798] These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1.

Costs of lands, rights-of-way, and terminals at the time of their dedication to public use, present value and excess cost of condemnation of the same.—The White River No. 2 owns 571.44 acres of lands classified as common-carrier, all of which are leased to the carrier. Incomplete data respecting the original cost of these lands

are given in Appendix 2. Their present value and excess cost of condemnation are \$34,565.40 and \$45,815.65, respectively.

The original cost of condemnation and damages or of purchase of carrier lands owned, in excess of the original cost of such lands, cannot be ascertained.

Property Held for Purposes Other Than Those of a Common-carrier.—The White River No. 2 owns no property held for purposes other than those of a common-carrier.

Aids, Gifts, Grants of Rights-of-way and Donations.—Included in the lands of the White River No. 2, classified as common-carrier lands, are 274.96 acres received as aids or donations. These lands have a present value of \$17,193.85. Their value at the time acquired cannot be ascertained.

Materials and Supplies.—The White River No. 2 maintains no stock of materials and supplies.

Final Values.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act of the property of the White River No. 2 owned but not used, devoted to common-carrier purposes, is found to be \$700,000.

No working capital including materials and supplies is found to be owned and used by the White River No. 2, a non-operating company.

[fol. 799] Chicago, Rock Island and Pacific Railroad Company

Location and General Description of Property.—The railroad of the Iowa Company is a single track, standard gauge, steam railroad, located entirely within the State of Iowa and extending westward from the station of the carrier at Winterset, Ia., for a distance of 1.324 miles.

Jointly Used Property.—The Iowa Company uses no property jointly with other carriers.

Traffic connections, physical conditions affecting construction and economic conditions relating to traffic.—The data on these topics are given in full under their respective headings in the portions of this order devoted to the operating road, the carrier, and in Appendix 1.

Corporate History.—The Iowa Company was incorporated under the laws of Iowa on July 31, 1902, to construct or otherwise acquire a line of railway from Davenport to Council Bluffs, Ia., to purchase, lease, or otherwise acquire, either directly or through ownership of the corporation owning or operating the same, the railways, property, and franchises of the carrier and other lines of railway property in Iowa and in other States; to maintain and operate any of the lines of railway and railway property it might acquire and to operate under lease or other contract lines of railway owned or operated by other corporations.

In May, 1903, the Iowa Company acquired all the outstanding capital stock of the Des Moines Southern Railway Company, which was incorporated June 20, 1901, under the general laws of Iowa, by local interests independent of any railroad, for the purpose of constructing a railroad from Winterset to Greenfield, Ia. At the same time, the Iowa Company obtained possession of all the right-of-way lands that company had acquired.

Dividends on capital stock of the carrier, held by the Iowa Company, constitute the only source of income of the latter. Consequently, when the carrier ceased paying dividends in 1914, the Iowa Company defaulted in the payment of interest on its outstanding bonds. On January 18, 1915, Walter C. Noyes was appointed receiver for the Iowa Company by the United States Court for the southern district of New York and ancillary receiver by the United States Court for the southern district of Iowa on January 21, 1915.

History of Corporate Financing, Capital Stock and Long-term Debt.—The total capital liability of the Iowa Company is \$227,500,000, as follows:

	Total	Held by or for company	Held by public
Capital stock,	\$145,000,000	.....	\$145,000,000
4 per cent collateral bonds of 2002,	75,000,000	\$3,647,200	71,352,800
Temporary 5 per cent bonds of 1917,	7,500,000	1,388,000	6,112,000
	<hr/> 227,500,000	<hr/> 5,035,200	<hr/> 222,464,800

Further details with respect to this subject are given in Appendix 2.

Gross and Net Earnings.—The result of the corporate operations of the Iowa Company for the year ended with date of valuation, is not obtainable. The result for the period from July 31, 1902, to June 30, 1914, is stated in detail in Appendix 2, and is summarized as follows:

[fol. 800] The gross income for the period amounted to \$46,888,670.76, all of which came from non-operating sources, and all of which was available for the payment of interest and dividends and for other corporate purposes, chargeable to deductions from gross income and to disposition of net income.

The Iowa Company paid during this period dividends aggregating \$6,836,000.

Investment in Road and Equipment.—The Iowa Company owns no equipment. The investment in road, including land, on valuation date, is stated in the books of the Iowa Company to be \$190,534.97. This amount, however, includes additional grading on lands no longer used for common-carrier purposes and the cost of non-carrier lands, all except 5 parcels of which were disposed of by sale subsequent to valuation date, to I. J. Ketman & Company, by the receiver of the Iowa Company. The original cost of the land sold is not known. Of the remaining 5 parcels one is used entirely for non-car-

rier purposes and is reported with substantial deed considerations of \$2,300 and 4 parcels are used partly for carrier and partly for non-carrier purposes, for which substantial deed considerations of \$4,000 are reported.

Original Cost to Date.—The original cost to date cannot be stated for common-carrier property as a whole or for any considerable portion thereof. Such data bearing on land costs as can be obtained are given elsewhere in this order.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned by the Iowa Company, which property is exclusively used by the carrier, are \$19,194 and \$14,732, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, Present Value and Excess Cost of Condemnation of the Same.—The Iowa Company owns 7.02 acres of lands devoted to common-carrier purposes, all of which are leased to the carrier. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value and excess cost of condemnation are \$7,435.40 and \$6,596.49, respectively.

The original cost of condemnation and damages or of purchase of carrier lands owned, in excess of the original cost of such lands, cannot be ascertained.

Property Held for Purposes Other Than Those of a Common-carrier.—The Iowa Company owns 2.62 acres of lands, which we have classified as non-carrier. Incomplete data respecting original cost of these lands are given in Appendix 2. Their present value is \$3,952.40.

The Iowa Company owns \$71,353,500 of the carrier's capital stock, which it has deposited with the trustee to secure the issue of a like amount of 4 per cent collateral bonds of 2002. On December 31, 1914, the United States Court for the Southern District of New York authorized the sale of the carrier stock deposited as collateral security for these bonds, en bloc to J. N. Wallace, the only bidder representing the bondholders' protective committee. The [fol. 801] final accounting for this sale had not been made on valuation date, June 30, 1915.

The Iowa Company carried on its books the \$71,353,500 par value of the carrier's stock at a valuation of \$222,908,028.71. In addition, the Iowa Company owned \$256,798.72 par value of other securities and assets for which it showed a value of \$341,761.99 on its books.

Aids, Gifts, Grants of Rights-of-way and Donations.—The Iowa Company does not appear to have received any aids, gifts, grants of rights-of-way or donations.

Materials and supplies.—The Iowa Company does not maintain a stock of materials and supplies.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation,

depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Iowa Company owned but not used, devoted to common-carrier purposes, is found to be \$23,250.

No working capital including materials and supplies, is found to be owned and used by the Iowa Company, a non-operating company.

[fol. 802] The Chicago, Rock Island and Gulf Railway Company

Location and General Description of Property.—The Chicago, Rock Island and Gulf Railway Company, hereinafter called the Gulf Company, owns and operates three separate lines of single track, standard gauge, steam railroad located in the State of Texas and leases to the St. Louis, San Francisco and Texas Railway Company a short branch line. The mileage of track owned is as follows:

	Miles of first main track	Miles of all track
Wholly owned and used.....	455,030	548,101
Used but not owned, leased to St. Louis San Francisco and Texas Railway Company	10,866	13,60
Total owned	465,896	561,101

The line located in the north central part of the State consists of a main line and two branch lines, embracing 191,175 miles of main track and 57.3 miles of yard tracks and sidings. The main line extends generally in a southeasterly direction from a connection with the railway of the carrier at the Oklahoma-Texas boundary, near Terral, Okla., to Dallas, Tex., a distance of 125,329 miles, and is a continuation of the main line of the carrier, extending from Chicago, Ill., toward the Gulf of Mexico. One of the branch lines extends in a westerly direction from Bridgeport to Graham, 54,980 miles, and the other in a northerly direction from Irving to Carrollton, 10,866 miles. The latter branch is operated solely by the St. Louis, San Francisco, and Texas Railway Company.

The Line situated in the central part of the "panhandle" section of Texas embraces 182,894 miles of main track and 22,655 miles of yard tracks and sidings. It extends generally in a westerly direction from a connection with the railway of the Choctaw, at the Oklahoma-Texas boundary near Texola, Okla., to a connection with the carrier's railway at the Texas-New Mexico boundary, near Glen Rio, Tex., and is a continuation of the carrier's operated line of railway extending from Memphis, Tenn., toward El Paso, Tex.

The remaining line is situated in the Northwestern part of the "panhandle" section and embraces 91,827 miles of main track and 15.25 miles of yard track and sidings. This line extends generally in a southwesterly direction from a connection with the carrier's

railway at the Oklahoma-Texas boundary, near Texhoma, Okla., to a connection with the carrier's railway at the Texas-New Mexico boundary, near Bravo, Tex., and is a continuation of the carrier's operated line of railway extending from Chicago, toward El Paso, Tex.

Jointly Used Property.—In Appendix 2, under the caption, Leased Railway Property, will be found a statement of the property used jointly with other companies and the terms of the use.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full for the entire Rock Island System under the respective headings in the portion of this report devoted to the carrier and in Appendix 1.

[fol. 803] **Corporate history.**—The Gulf Company was incorporated on May 21, 1902, under the provisions of chapter 1, title 94, of the Revised Statutes of Texas, for a term of fifty years. The original purpose of the Gulf Company was to "locate, construct, own and operate a line of railway" to extend from Fort Worth, in a northeasterly direction to Galveston, a distance of about 295 miles. The original charter was amended on October 2, 1905, to provide the right to "locate, construct, own and operate a branch line of railway" to extend from Irving to Carrollton. By a special Act of the Texas Legislature, approved on March 27, 1903, the Gulf Company acquired by purchase all of the property, rights and franchises of the Texas Company, the Choctaw Company, and the Mexico Company. The principal office of the Gulf Company is located at Fort Worth.

Under the laws of Texas, foreign corporations are not permitted to own or operate any railroad within the state. The Gulf Company is, therefore, of necessity an independent corporation, although all of its capital stock, except ten directors' qualifying shares, is owned by the carrier, and each of the lines of railway owned and operated by the Gulf Company forms an integral part of a system of railways known as the "Rock Island Lines", which are either owned or controlled by the carrier.

The development of fixed physical property of the Gulf Company is related in Appendix 2.

History of corporate financing, capital stock and long-term debt.—The financial requirements of the Gulf Company were largely met by the carrier. Its capital stock, bonds, certificates of indebtedness and equipment notes were issued to and advances were received from either the carrier or other companies whose capital stock was owned by the carrier.

The capital liabilities of the Gulf Company, outstanding on date of valuation, aggregated \$17,248,372.60 of which \$469,000 is capital stock, \$15,911,075.27 funded debt and \$868,297.33 non-negotiable debt.

Statements of the total capital securities issued or assumed by the Gulf Company, the considerations received therefor and retirements thereof and an analysis of the non-negotiable debt issued and retired are given in Appendix 2.

Gross and net earnings of the Gulf Company.—The result of the corporate operations of the Gulf Company from December 1, 1903, to valuation date, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings (railway operating revenues)	\$31,840,034.21	
Operating expenses (railway operating expenses) . .	22,025,882.58	
Resulting in net earnings (net revenue from operations) of		9,814,151.63
During the same period taxes assessed (railway tax accruals) amounted to	\$855,295.75	
Uncollectible railway revenue amounted to	664.32	\$855,960.07
Resulting in an income from railway operations (railway operating income) of		8,958,191.56
[fol. 804]		
In addition to this there was income from nonoperating sources (nonoperating income) of		1,465,878.50
Resulting in gross income for the period (gross income) of		10,424,070.06
During this period rents and hire of equipment (chargeable to deductions from gross income) amounted to		1,302,803.44
Resulting in an amount available for the payment of interest and dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income) of . .		9,121,266.62

The Gulf Company has never paid any dividends. Further data under this heading are given in Appendix 2.

General Balance Sheet.—The general balance sheet stated by the Gulf Company, as showing its financial condition on date of valuation, follows:

Assets

Investments:

Investment in road and equipment	\$17,374,563.84	
Deposits in lieu of mortgaged property sold	758.40	
Miscellaneous physical property	41,694.45	
Investment in stocks	2.00	
		<hr/>
		\$17,417,018.69

Current assets:

Cash	85,590.06	
Loans and bills receivable....	1,966.80	
Traffic and car-service balances receivable	43,320.09	
Net balance receivable from agents and conductors	28,105.57	
Miscellaneous accounts receiv- able	(a) 786,131.97	
Materials and supplies	126,711.90	
Other current assets	30,430.36	
	<hr/>	1,102,259.75

Deferred assets:

Working fund advances	140.16
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Unadjusted debits:

Rents and insurance premiums paid in advance	382.39	
Other unadjusted debits	47,711.73	
	<hr/>	48,094.12

Total \$18,567,512.72

Liabilities

Stock:

Capital stock	\$469,000.00
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[fol. 805] Long-term debt:

Funded debt unmatured....	\$15,911,075.27	
Non-negotiable debt to affili- ated companies	(b) 1,406,667.19	
	<hr/>	17,317,742.46

Current liabilities:

Traffic and car-service balances payable	73,195.32	
Audited accounts and wages payable	177,634.35	
Miscellaneous accounts payable	8,717.86	
Interest matured unpaid	289,680.00	
Unmatured interest accrued..	6,244.58	
Unmatured rents accrued	10,749.68	
	<hr/>	566,221.79

(a) \$538,309.86 of this amount represents advances in open account due from the carrier.

(b) This amount represents advances in open account due the carrier, from which \$538,309.86 of advances due from the carrier must be subtracted, to obtain the net non-negotiable debt of the Gulf Company of \$868,297.33.

Deferred liabilities:

Other deferred liabilities	7,612.82
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Unadjusted credits:

Tax liability	58,712.26
Insurance and casualty reserves	26,247.08
Operating reserves	184,091.21
Accrued depreciation—equipment	99,762.11
Other unadjusted credits	16,097.19
	<hr/> 384,909.88

Total liabilities	\$18,745,486.95
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Corporate surplus:

Profit and loss debit balance	177,974.23
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Total after deducting deficit	\$18,567,512.72
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Investment in Road and Equipment. —The investment in road and equipment, including land, on date of valuation, is stated in the books of the Gulf Company to be \$17,374,563.81. As explained in Appendix 2, this amount, besides being comprised of unlike factors which cannot properly be added together, contains certain erroneous charges.

If readjustment were made, as detailed in Appendix 2, the investment in road and equipment, including recorded cash expenditures of \$56,634.11 paid for lands devoted partly to carrier and partly to non-carrier purposes, which amount cannot be apportioned between the two uses except upon an arbitrary basis would appear to be as follows:

Recorded cash expenditures	\$2,935,528.26
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Considerations other than cash:

Par value of securities, the cash value of which at time issued or assumed is not known	9,472,137.03
Advances in open account, assumed	3,622,210.43
Net current and deferred liabilities of predecessor companies, assumed	497,838.87

[fol. 806] Since the above items comprise unlike factors which cannot properly be combined, unless reduced to a common denominator, such as their money equivalent, it is impossible to state one sum, in terms of money, as representing the carrier's investment in road and equipment.

Further details on this subject are given in Appendix 2.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The cost of all persons whomsoever of common-carrier property as a whole, including land, with the exception of the cost to donors of donated common-carrier lands for part of which substantial deed considerations are shown in the amount of \$24,799.24, and of interest during the several construction periods, but including as recorded money outlay \$56,631.21 paid for lands devoted partly to carrier and partly to non-carrier purposes, appears to be as follows:

Recorded money outlay	\$10,993,025.32
Outlay in securities at a par value of	1,233,500.60

Attention should be called to the fact that the recorded money outlay of \$10,993,025.32, includes \$1,341,259.20 representing expenditures by the Gulf Construction Company in constructing the line from Fort Worth to Dallas, for which the Gulf Company paid \$1,173,636.43 in par value of capital stock and first mortgage bonds. The Gulf Construction Company and the Gulf Company were both controlled by the carrier.

The derivation of the amounts given in the preceding paragraphs is explained in Appendix 2.

A summary of the cost of lands, separately considered, is given elsewhere in this order, and the details of the costs of lands, equipment, roadway machines, shop machinery and power-plant machinery are given in Appendix 2.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, wholly owned and used, and of property owned but not used, by the Gulf Company, are as follows:

	Cost of reproduction	
	New	Less depreciation
Wholly owned and used, including the Gulf Company's portion of jointly owned and used minor facilities	\$14,679,021	\$11,735,613
Owned but not used, leased to The Saint Louis-San Francisco and Texas Railway	281,818	239,118
Total owned	14,960,839	11,974,731
Total used	14,679,021	11,735,613

[fol. 807] These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in the summary sheets which are a part of Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Their Dedication to Public Use, Present Value and Excess Cost of Con-

demnation of the Same.—Incomplete data respecting the original cost of common-carrier lands owned by the Gulf Company are given in Appendix 2. Their area, present value and excess cost of condemnation may be classified as follows:

	Area in acres	Present value	Excess cost of condemnation
Owned and used.....	10,092.15	\$625,121.59	\$660,629.81
Used but not owned:			
Leased from The Missouri, Kansas & Texas Railway Co.	.98	287.00	358.33
Leased from private parties other than common carriers.	1.99	75.05	0.00
Total	2.97	362.05	358.33
Owned but not used:			
Leased to the Union Terminal Co.	46.37	356,191.45	310,323.50
Leased to St. Louis, San Fran- cisco & Texas Railway Com- pany	159.82	11,567.85	29,499.51
Total	206.19	370,669.30	339,823.81

Rights in Public Domain, and Private Lands.—The Gulf Company owns rights in public domain and private lands, the present value of which is found to be \$10 and \$385, respectively.

Further information pertaining to original cost of the lands and rights of the carrier will be found in Appendix 2.

Property Held for Purposes Other Than Those of a Common Carrier.—The Gulf Company owns 202.05 acres, which we have classified as non-carrier lands. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value is found to be \$777,935.

The Gulf Company acquired from the carrier, without cost, 60 shares of capital stock of the Union Terminal Company of \$600,000 par value, which is carried on its books at a nominal value of \$2.00.

Aids, Gifts, Grants of Rights-of-way and Donation.—The Gulf Company acquired certain lands as aids or donations, the area and present value of which may be classified as follows:

Class	Area in acres	Present value
Lands devoted wholly to common-carrier purposes:		
Owned and used	3,518.95	\$258,487.26
[fol. 808]		
Owned but not used—Leased to the Union Terminal Company	.16	3,624.40
Total	3,519.11	262,111.66
Lands devoted wholly to noncarrier purposes .....	.99	63,782.09

The Gulf Company received contributions from various individuals of \$950, toward the cost of a depot at Ontario, Texas, and \$4,709.35 toward the cost of sundry industry tracks. Further, its predecessor, the Texas Company received from various local citizens donations aggregating from \$34,133.60, of which \$32,661 was cash, and the remainder, \$1,472.60, was represented by payments for right-of-way for the account of the Texas Company.

Materials and Supplies.—As stated in the general balance sheet, the value of materials and supplies on hand is shown by the Gulf Company's records to have been, on valuation date, \$126,714.90.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, working capital, including materials and supplies, and all other matters which appear to have a bearing upon the values here reported, the values, as that term is used in the Interstate Commerce Act, of the property of the Gulf Company owned and used, used but not owned and owned but not used, devoted to common-carrier purposes, are found to be as follows:

Wholly owned and used	\$13,212,305
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Used but not owned:

Leased from:

Missouri, Kansas & Texas Railway Company of Texas	287
Private parties	75
Total	362
Total used	13,212,667

Owned but not used:

Leased to:

St. Louis, San Francisco & Texas Railway Company	265,000
Union Terminal Company	356,101
Total	621,101
Total owned	13,833,406

There is included in the value above stated as wholly owned and used the sum of \$212,305 on account of working capital including materials and supplies.

[fol. 809] Morris Terminal Railway Company

Location and General Description of Property.—The railroad of the Morris is a single track, standard gauge, steam railroad, located

at Morris, Ill., and embracing 1,029 miles of tracks, all of which is classified as other than main track.

Jointly Used Property.—The Morris used no property jointly with other carriers.

Traffic Connections, Physical Conditions Affecting Construction, and Economic Conditions Relating to Traffic.—The data on these topics are given in full under their respective headings in that portion of this report devoted to the operating company, the carrier, and in Appendix I.

Corporate History.—The Morris was incorporated on February 16, 1905, under the laws of Illinois, for the purpose of constructing switching railroad to be located in Grundy County, Ill., and serve as a connection between various industries in and around Morris, Ill., and the railway of the carrier. The Morris has its principal office at Chicago, Ill. Control of the Morris is vested in the carrier through its ownership of the entire capital stock. The property, however, is operated separately.

The owned mileage of the Morris was acquired by construction. The carrier furnished all labor and metal and constructed the line for the Morris during the year 1906.

History of Corporate Financing, Capital Stock and Long-term Debt.—The organizers of the Morris, who were persons with interest in Morris, Ill., entered into an agreement with the carrier, on February 27, 1905, whereby they obligated themselves to furnish the right-of-way for the proposed railroad and to obtain agreements in writing from the owners or operators of industries to be located on the line binding them to receive all their shipments over the line for a period of ten years. The carrier agreed to furnish the labor and material and to construct the line, in consideration for which it was to receive 250 shares, constituting 50 per cent of the capital stock of the Morris. Messrs. Norton and Sackett, who represented the organizers of the Morris in their dealings with the carrier, were to receive the remainder of the capital stock.

The carrier expended \$68,604.38 in original construction and advanced \$2,349.85 for additions and betterments. It also contributed \$17,612.96 to the Morris, representing the total deficit of that company.

The total capital liability of the Morris, all outstanding, is \$52,207.39, as follows:

Capital stock	\$50,000.00
Non-negotiable debt	2,207.39
Total	\$52,207.39

The capital stock was issued in full payment for constructing the line, the carrier receiving shares aggregating \$25,000 and Messrs. Norton and Sackett the remainder.

[fol. 810] The carrier in 1908 acquired the shares issued to Messrs. Norton and Sackett for \$19,500, and owns the entire issue.

The non-negotiable debt of \$2,207.39 represents open account advances from the carrier for additions and betterments, etc.

Gross and Net Earnings of the Morris.—The result of the corporate operations of the Morris for the period May 1, 1906, to date of valuation, is stated in detail in Appendix 2, and is summarized as follows:

Gross earnings, (railway operating revenues)	\$46,318.54
Operating expenses (railway operating expenses)	47,497.33
Resulting in a deficit, instead of net earnings (net revenue from railway operations—deficit) of . .	1,178.79
During the same period taxes assessed (railway tax accruals) amounted to	2,887.94
Resulting in a deficit, instead of income from railway operations (railway operating income) of	4,066.73
Offsetting this there was income from nonoperating sources (nonoperating income) of	2,359.78
Resulting in a deficit, instead of gross income (gross income—deficit) of	1,706.95
During this period rents and hire of equipment (chargeable to deductions from gross income) amounted to . .	6,773.60
Resulting in a deficit, instead of an amount available for the payment of interest and dividends and for other corporate purposes (chargeable to deductions from gross income and to disposition of net income) of	8,480.55

The Morris earned and paid dividends during the first two years of its operations aggregating \$8,500, but subsequent operations have resulted in a loss each year.

General Balance Sheet.—The general balance sheet stated by the Morris, as showing its financial condition on date of valuation, follows:

Assets

Investments:

Investment in road and equipment \$52,319.85

Deferred assets:

Working fund advances 2.54

Unadjusted debits:

Rents and insurance premiums paid in advance . . 125.00

Total 52,447.39

[fol. 811]

Liabilities

Stock:

Capital stock	\$50,000.00
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Long-term debt:

Non-negotiable debt to affiliated companies.....	2,207.39
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Unadjusted credits:

Tax liability	240.00
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Total	52,447.39
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Investment in Road and Equipment.—The investment in road, including land, on date of valuation, is stated in the books of the Morris to be \$52,319.85.

Of this amount \$50,000 represents the par value of the capital stock given for original construction, and the remainder, \$2,319.85, represents recorded cash expenditures of the Morris in the construction of additional industrial tracks along its line.

The railway property of the Morris, as previously stated, was constructed by the carrier on right-of-way furnished by Messrs. Norton and Sackett. The carrier and Messrs. Norton and Sackett, each received half of the capital stock above referred to.

The Morris owns no equipment.

Original Cost to Date.—The original cost to date of each piece of common-carrier property cannot be ascertained.

The records of the Morris and of the carrier show a recorded outlay for all the common-carrier property of the Morris of \$70,924.23 in money and \$25,000 in par value of securities, the details for which amounts are given in Appendix 2.

A statement of the original cost of lands, separately considered, is given elsewhere in this order.

Cost of Reproduction New, and Cost of Reproduction Less Depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, wholly owned and used by the Morris, are \$59,908 and \$42,902, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are given in Appendix 1.

Cost of Lands, Rights-of-way, and Terminals at the Time of Dedication to Public Use, Present Value and Excess Cost of Condemnation of the Same.—The Morris owns and uses 7.61 acres of lands devoted to common-carrier purposes. Incomplete data respecting the original cost of these lands are given in Appendix 2. Their present value and excess cost of condemnation are, \$3,500.10 and \$3,790.31, respectively. The Morris also uses 3.63 acres of land, leased from parties other than common carriers, the present value of which is \$3,612.25.

Property Held for Purposes Other Than Those of a Common-carrier.—The Morris owns no property held for purposes other than those of a common carrier.

Aids, Gifts, Grants of Right-of-way and Donations.—The Morris Company owns 1.24 acres of land devoted to common-carrier purposes received as aids or donations, the present value of which is \$377.15. The value at the time acquired can not be ascertained. [fol. 812] Materials and Supplies.—The Morris does not maintain a stock of materials and supplies, the carrier furnishing all that is required.

Final Value.—After careful consideration of all the facts herein contained, including the excess cost of carrier lands, appreciation, depreciation, going concern value, and all other matters which appear to have a bearing upon the value here reported, the value, as that term is used in the Interstate Commerce Act, of the property of the Morris owned and used for common carrier purposes, is found to be \$48,750.

No working capital including materials and supplies, is found to be owned and used by the Morris.

In General

With respect to each of the foregoing carriers, embraced in this proceeding, in addition to the other matters stated, the following paragraphs apply as a part of each of the respective tentative valuations:

Appendices.—Attached hereto and made a part hereof are Appendices 1 and 2. Appendix 1 gives the explanatory text and summary sheets showing the classification of the cost of reproduction new and cost of reproduction less depreciation above set forth, in conformity with the classification of expenditures for road and equipment prescribed by the Commission.

Appendix 2 shows further details as to corporate history, development of fixed physical property, history of corporate financing, gross and net earnings, investment in road and equipment, original cost to date, improvements on leased railway property, miscellaneous physical property, investments in other companies, and leased railway property, with respect to the carrier and the affiliated companies under valuation; excepting those features treated in the text of the report.

Reference is made to Appendix 3 of the report in Texas Midland Railroad, 1 Val. Rep. 1, 108, and Appendix A to the supplemental tentative valuation in Valuation Docket 4, The Kansas City Southern Railway Company, et al., under date of March 31, 1921, which are hereby made a part hereof, for a statement of the methods employed and of the reasons for the differences between the various cost values reported.

The engineering, land and accounting reports, copies of which have been furnished to interested parties, give the details respecting the figures here reported and are on file in the Bureau of Valuation of the Commission, open to public inspection, and subject to the di-

rection of Congress, and these reports are referred to for greater particularity as to the matters herein stated.

By the Commission, Division I.

George B. McGinty, Secretary. (Seal.)

[fol. 813]

APPENDIX 1.

Embracing

The Chicago, Rock Island and Pacific Railway Company (the carrier).
 Keokuk and Des Moines Railway Company (the Keokuk).
 Choctaw, Oklahoma and Gulf Railroad Company (the Choctaw).
 Rock Island, Arkansas and Louisiana Railroad Company (the Louisiana).
 St. Paul and Kansas City Short Line Railroad Company (the Short Line).
 Rock Island and Dardanelle Railway Company (the Dardanelle).
 Rock Island, Stuttgart and Southern Railway Company (the Stuttgart).
 Rock Island Memphis Terminal Railway Company (the Memphis Terminal).
 The Peoria and Bureau Valley Railroad Company (the Bureau Valley).
 White & Black River Valley Railway Company (the White River No. 2).
 Chicago, Rock Island and Pacific Railroad Company (the Iowa Company).
 The Chicago, Rock Island and Gulf Railway Company (the Gulf Company).
 Morris Terminal Railway Company (the Morris Terminal).

[fol. 814]

APPENDIX 1

Explanatory Text

Description of Road

The following data are in addition to a general description, given in the foregoing order, of the properties embraced in this report.

There are still carried on the accounts of the Improvement Company \$881,792.44 of the cost of the Silvis shops and facilities, located at East Moline, Ill., and \$22,6376.53 of the cost of the Kansas City freight terminals, which are herein inventoried to the carrier as owner.

The ownership of the bridge across the Mississippi River at Rock Island, Ill., is vested in the United States government; 60 per cent of the cost to reproduce this structure is included in this report and

is inventoried to the carrier, for the reason that 60 per cent of the original cost was paid by the carrier.

The carrier owns but leases to the Rock Island Southern Railway Company, a 9-tall enginehouse at Rock Island Ill., included in this report, classified as owned but not used.

The carrier owns and leases to the Kankakee and Seneca Railroad Company one locomotive No. 532, included in this report, which is classified as owned but not used.

Property Within the Chicago Terminal Zone.—Within the Chicago Terminal Zone, the carrier owns jointly with The New York Central Railroad Company a double track main line extending from La Salle Street Station south to Englewood Station, Chicago, a distance of approximately six miles, an additional main track being owned by each of these carriers exclusively. At Englewood Station the lines of these two carriers diverge, the carrier's line extending southwesterly through the cities of Blue Island and Joliet to Rockdale, the assumed western terminus of the Chicago Terminal Zone of the carrier.

The main line of the carrier, for a distance of approximately nine miles between La Salle Street Station and 87th Street, including the line owned jointly with The New York Central Railroad Company, has been elevated under ordinances of the City of Chicago, eliminating grade crossings with city streets in this territory. Recently, in conformance to ordinances of the City of Chicago, and under agreement with the Chicago and Western Indiana Railroad Company, it has elevated its main line to a high level at 79th Street, to eliminate a grade crossing with the Chicago and Western Indiana Railroad Company, the line of which has been elevated above street levels. At Joliet, for a distance of two miles, the carrier's line including the line owned jointly with The Michigan Central Railroad Company, has been elevated above the street levels under ordinances of that city.

Within the Chicago Terminal Zone the carrier has two branch lines, one a suburban passenger line, extending from a junction with the main line near 89th Street south to Blue Island, somewhat parallel to and west of the carrier's main line. The second branch [fol. 815] line extends from the suburban passenger line connection with the main line near 89th Street due east to the manufacturing district of South Chicago, a distance of approximately seven miles, of which the easterly portion, for a distance of about one mile, has been elevated under ordinances of the City of Chicago, eliminating grade crossings with city streets and with the main lines of The New York Central Railroad Company and the Pennsylvania Company. The carrier owns large freight terminals in the vicinity of 12th Street and Wells Street, Chicago.

The South Chicago branch of the carrier is used by The Baltimore and Ohio Railroad Company under trackage rights, and the Pere Marquette Railroad Company under contract with the Baltimore and Ohio Railroad Company participates in the use of this property. The New York, Chicago and St. Louis Railroad Company under trackage rights operates over this carrier's main line

and South Chicago branch out from La Salle Street Station about 12 miles.

Topography, Geology and Climate

The lines of railroad operated by the carrier, the Gulf Company and the Morris, traverse the great plains of the Mississippi River valley. The general topography of the country is level with the exception of portions of the line between St. Louis and Kansas City, Mo., and in parts of Oklahoma, Arkansas and northern Louisiana where the country is hilly. Grading quantities are large per mile on the line between St. Louis and Kansas City, Mo. In Colorado and New Mexico *and* line crosses a rolling high plateau with deep drains, necessitating heavy grading. In some localities generally considered as plains the grading required is as heavy as in mountainous regions, as for instance in Iowa, where the natural surface is in long swells and many lines cross the natural drainage. In other sections the line traverses gentle rolling prairies or follows river valleys, where the grading required is comparatively light, as in Kansas, Nebraska, South Dakota, Minnesota and parts of Oklahoma and Texas.

In general these lines are on an alluvial soil. Rock cuts are not numerous considering the extent of the mileage. The only tunnels encountered are between St. Louis and Kansas City, Mo. The percentage of excavated, classified material in the various states is as follows; most of the solid rock excavation being limestone, with some sandstone occurring particularly in Illinois and New Mexico.

State	Percentage		
	Common	Light rock	Solid rock
Illinois	98.25	0.50	1.25
Iowa	95.20	3.00	1.80
Minnesota	96.70	0.80	2.50
South Dakota	100.00	0.00	0.00
Nebraska	96.90	1.55	1.55
Missouri	66.24	11.76	22.00
Kansas	92.57	3.63	3.80
Colorado	78.95	13.41	7.64
[fol. 816]			
Tennessee	100.00	0.00	0.00
Arkansas	72.70	15.15	12.15
Oklahoma	70.61	11.61	17.78
New Mexico	47.00	11.82	41.18
Louisiana	97.70	2.00	0.30
Texas	64.16	12.67	23.17
Total	83.07	7.06	9.87

The winters in the northern states are severe, temperature as low as 30 degrees below zero being recorded with heavy snowfalls. Passing south these conditions vary with the latitude until in Texas

and Louisiana, the lines are not inconvenienced by severe winter conditions. The maximum summer temperature over the entire mileage is approximately 100 degrees; the spells of extremely hot weather are of longest duration in Oklahoma, Texas and Louisiana. The climate of Colorado is very similar to that of South Dakota—dry cold winters and moderate summers. Rainfall varies from a maximum of 55 inches in central Louisiana to 15 inches in New Mexico, Colorado and South Dakota. Iowa and Illinois average 35 inches per annum.

Economic Conditions Relating to Traffic

Almost the entire territory traversed is adaptable to agricultural purposes and has been brought under cultivation in varying degrees from the high per cent of Illinois and Iowa to the semi-arid regions of Colorado and New Mexico, where irrigation is necessary. Every product of the soil from the grains of the northern states to the cotton and cane of the south can be grown on tributary territory.

Large industries are located at many points, such as packing plants at Chicago, Ill., Omaha, Nebr., St. Joseph and Kansas City, Mo., Wichita, Kan., Fort Worth, Tex., etc. Many flour mills and elevators, besides those at Minneapolis, Minn., are located at various points on the system. Cotton gins and compresses abound in the south. The line passes through several oil and coal fields. Considerable timber is shipped from Louisiana and other southern points. The large terminal cities such as Chicago, Ill., Minneapolis, Minn., Kansas City and St. Louis, Mo., etc., contain many plants devoted to the manufacture of steel and clay products farming machinery, etc.

Physical Characteristics of Road

[fol. 817] Grades and curvature are not excessive.

Mileage

The mileage embraced is as follows:	Miles of first main track	Miles of all tracks
Wholly owned and used by the carrier...	5,341,779	7,264,875
Jointly owned and used by the carrier...	13,418*	72,287*
Jointly owned but entirely used by the carrier		561
Total wholly or jointly owned or used by the carrier.....	5,355,197	7,337,723

Used but not owned by the carrier:

	Miles of first main track	Miles of all tracks
Wholly owned by lessor companies:		
Keokuk	162,285	186,293
Choctaw	978,194	1,314,862
Louisiana	384,530	464,930
Short Line	192,626	232,712
Dardanelle	13,915	14,636
Stuttgart	20,835	23,388
Memphis Terminal .....	.....	2,721
Bureau Valley	46,946	68,517
White River No. 2	62,435	69,617
Iowa Company	1,324	1,324
Improvement Company .....	.....	11,899
Jointly owned by lessor companies, the entire property of which is used by the carrier, and jointly used by the carrier with the other joint owners .....	.....	4,031*
Total used but not owned by the carrier	1,863,090	2,424,930

Owned but not used by the carrier:

Wholly owned by the carrier .....	.....	.....
Jointly owned by the carrier .....	.....	,610
Total owned but not used .....	.....	,610

Total used by the carrier, including jointly owned and used	7,218,287	9,763,263
Total owned by the carrier	5,355,197	7,338,333

Owned by affiliated companies:

The Gulf Company: Wholly owned and used	455,030	548,101
Owned but not used, leased to The St. Louis, San Francisco & Texas Railway Company	10,863	13,000
Total owned	465,896	561,101

The Morris: Wholly owned and used	4,029
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*The mileage for each piece of jointly owned and used property is shown in the summaries by accounts given later on.

[fol. 818]

Mileage Distributed by States

Illinois:	Miles of first main track	Miles of all track
Wholly owned and used by the carrier...	309,331	864,870
Jointly owned and used by the carrier...	7,729	36,160
Used but not owned by the carrier:		
Leased from:		
Bureau Valley	46,946	68,517
Improvement Company .....	.....	9,955
Separately operated by affiliated com- panies:		
The Morris: Wholly owned and used, .....	.....	4,029
Iowa:		
Wholly owned and used by the carrier...	1,858,686	2,459,510
Jointly owned and used by the carrier...	4,228	17,013
Used but not owned by the carrier:		
Wholly owned by lessor companies:		
Keokuk	162,285	186,293
Short Line	192,626	232,712
Iowa Company	1,324	1,324
Improvement Company .....	.....	1,944
Jointly owned by the Short Line and jointly used by the carrier with the other joint owners.....	.....	,852*
Minnesota:		
Wholly owned and used by the carrier...	222,495	266,310
South Dakota:		
Wholly owned and used by the carrier...	81,797	89,199
Jointly owned and used by the carrier...	1,341	4,858*
Nebraska:		
Wholly owned and used by the carrier...	245,550	297,551
Jointly owned and used by the carrier...	.....	0,213*

*The mileage for each piece of jointly owned and used property is shown in the summaries by accounts given later on.

	Miles of first main track	Miles of all track
Missouri:		
Wholly owned and used by the carrier....	515,670	650,155
Jointly owned and used by the carrier....	0,120	.450*
Jointly owned but entirely used by the carrier .....	.....	.561*
[fol. 819] Jointly owned but entirely used by The Wabash Railroad Company....	.....	.610*
Kansas:		
Wholly owned and used by the carrier....	1,058,075	1,386,707
Jointly owned and used by the carrier....	.....	13,159*
Used but not owned by the carrier:		
Leased from the Choctaw.....	14,695	16,793
Colorado:		
Wholly owned and used by the carrier....	167,639	195,121
Tennessee:		
Used but not owned by the carrier:		
Leased from:		
Choctaw .....	.....	4,295
Memphis Terminal .....	.....	2,721
Arkansas:		
Wholly owned and used by the carrier....	37,580	42,223
Used but not owned by the carrier:		
Wholly owned by lessor com- panies:		
Choctaw	322,239	454,210
Louisiana	237,018	283,362
Stuttgart	20,835	23,388
Dardanelle	13,915	14,636
White River No. 2.....	62,435	69,617
Jointly owned by lessor com- panies, the entire property of which is used by the carrier, and jointly used by the carrier with the other joint owners....	.....	.516*

*The mileage for each piece of jointly owned and used property is shown in the summaries by accounts given later on.

Oklahoma:	Miles of first main track	Miles of all tracks
Owned and used by the carrier.....	691,957	836,652
Jointly owned and used by the carrier....	.....	0,434*
Used by not owned by the carrier:		
Leased from the Choctaw:		
Wholly owned by the Choctaw..	641,260	869,564
Jointly owned by the Choctaw and jointly used by the carrier with the other joint owners....	.....	2,663*
New Mexico:		
Wholly owned and used by the carrier....	152,999	176,577
[fol. 820] Louisiana:		
Used but not owned by the carrier:		
Leased from the Louisiana.....	147,512	181,568
Texas:		
Owned by affiliated companies:		
The Gulf Company: Wholly owned and used	455,030	548,101
Owned but not used, leased to The St. Louis, San Francisco & Texas Railway Company	10,866	13,000

*The mileage for each piece of jointly owned and used property is shown in the summaries by accounts given later on.

Trackage Rights

The most important instances where trackage rights provide a continuous route for through trains are as follows:

From—	To—	Miles	Owner
Clear Lake Junction, Ia.....	Manly Junction, Ia.....	10.70	Chicago Great Western Railroad Company.
Manly Junction, Ia.....	Northwood, Ia.....	11.33	Iowa Central Railway Company.
Comus, Minn.....	Rosemont, Minn.....	27.07	Chicago, Milwaukee and St. Paul Railway Company.
Newport, Minn.....	St. Paul, Minn.....	8.13	Chicago, Milwaukee and St. Paul Railway Company.
St. Paul, Minn.....	Minneapolis, Minn.....		Chicago, Burlington & Quincy Railroad Company.
Valley Junction, Ia.....	Gowrie, Ia.....	10.12	Chicago, Milwaukee and St. Paul Railway Company.
Cameron Junction, Ia.....	Kansas City, Mo.....	54.30	Chicago, Burlington & Quincy Railroad Company.
[fol. 824] Harlora, Mo.....	Rushville, Mo.....	45.70	Chicago, Burlington & Quincy Railroad Company.
Kansas City, Mo.....	North Topeka, Kans.....	67.35	Union Pacific Railroad Company.
Limon, Colo.....	Denver, Colo.....	89.78	Union Pacific Railroad Company.
Caldwell, Kans.....	Anthony, Kans.....	25.70	The Kansas Southwestern Railway Company.
Cashion, Okla.....	Guthrie, Okla.....	18.00	The Atchison, Topeka and Santa Fe Railway Company.

City	Terminals	owners	Operated by
Packton, La.	Pineville, La.	35.20	Louisiana & Arkansas Railroad Company.
Rosewell, Colo.	Pueblo, Colo.	46.20	The Denver and Rio Grande Railroad Company.
Chicago, Ill.	The carrier and The Lake Shore and Michigan Southern Railway Company, 50 per cent each.		The Lake Shore and Michigan Southern Railway Company.
St. Paul, Minn.	The St. Paul Union Depot Company; the carrier owns 11 1/9 per cent of the capital stock.		The St. Paul Union Depot Company.
Omaha, Nebr.	Union Pacific Railroad Company.		Union Pacific Railroad Company.
St. Louis, Mo.	Terminal Railroad Association of St. Louis; the carrier owns 11 1/9 per cent of the capital stock.		Terminal Railroad Association of St. Louis.
Kansas City, Mo.	Kansas City Terminal Railway Company; the carrier owns 8 1/3 per cent of the capital stock.		Kansas City Terminal Railway Company.
Des Moines, Ia.	The carrier		The carrier.
Colorado Springs, Colo.	The Denver and Rio Grande Railroad Company.		The Denver and Rio Grande Railroad Company.
[fol. 822] Memphis, Tenn.	Illinois Central Railroad Company.		Illinois Central Railroad Company.

Terminals—*Continued*

<u>City</u>	<u>Owners</u>	<u>Operated by</u>
Little Rock, Ark.	The Choctaw; carrier owns all the capital stock.	The carrier.
Oklahoma City, Okla.	The Choctaw; carrier owns all the capital stock.	The carrier.
Ft. Worth, Tex.	The Texas and Pacific Railway Company.	The Texas and Pacific Railway Company.
Dallas, Tex.	The Union Terminal Company of Dallas; the carrier owns 12 1/2 per cent of the capital stock.	The Union Terminal Company of Dallas.
Freight:		
Chicago, Ill.	The carrier	The carrier.
St. Paul, Minn.	The carrier	The carrier.
Freight house	The carrier	The carrier.
Freight terminals	The Minnesota Transfer Railway Company; the carrier owns 11 1/9 per cent of the capital stock.	The Minnesota Transfer Railway Company.
Omaha, Neb.	Union Pacific Railroad Company.	Union Pacific Railroad Company.
St. Louis, Mo.		
North yard	Rock Island-Frisco Terminal Railway Company; the carrier owns 60 per cent of the capital stock.	The carrier.

Lebume St. Terminal.....	Rock Island-Frisco Terminal Railway Company; the carrier owns 60 per cent of the capital stock.	Rock Island-Frisco Terminal Railway Company, St. Louis and San Francisco Railroad Company and Chicago and Eastern Illinois Railroad Company.
Biddle St. Terminal.....	Rock Island-Frisco Terminal Railway Company; the carrier owns 60 per cent of the capital stock.	Rock Island-Frisco Terminal Railway Company, St. Louis and San Francisco Railroad Company and Chicago and Eastern Illinois Railroad Company.
Kansas City, Mo.....	The carrier	The carrier.
Des Moines, Ia.....	The carrier	The carrier.
[fol. 823]		
Colorado Springs, Colo.....	The Denver and Rio Grande Railroad Company.	The Denver and Rio Grande Railroad Company.
Denver, Colo.....	The Denver and Rio Grande Railroad Company; and the carrier, each 50 per cent.	Jointly by The Denver and Rio Grande Railroad Company, and the carrier.
Memphis, Tenn.....		
Adams St.....	The Choctaw; the carrier owns all the capital stock.	The carrier.
Calloun St.....	The Memphis Terminal; the carrier owns all the capital stock.	The carrier.

Termini—*Continued*

City	Owners	Operated by
Little Rock, Ark.		
Argenta	The Choctaw	The carrier.
Biddle Yard	The Louisiana; the carrier owns all the capital stock.	The carrier, owns all the capital stock.
Freight house	The Louisiana; the carrier owns all the capital stock.	The carrier.
Oklahoma City, Okla.	The Choctaw; the carrier owns all the capital stock.	The carrier.
Ft. Worth, Tex.	The Gulf Railway; the carrier owns all the capital stock.	The Gulf Railway.
Dallas, Tex.	Gulf, Colorado and Santa Fe Railway Company.	Gulf, Colorado and Santa Fe Railway Company.

Connections With Other Roads

The principal points at which the carrier, the Gulf Company, and the Morris interchange traffic with other railroads, are as follows:

The carrier with:

- Alexandria & Western Railway Company, The—at Alexandria and Arkansas, La.
- Ashley, Drew & Northern Railway Company, at Crossett and White Low Junction, Ark.
- Atchison, Topeka & Santa Fe Railroad Company, The—at Chicago and Peoria, Ill., Topeka, Kans., Oklahoma City, Okla., Denver, Colo., Kansas City, Mo., and at other points.
- Atlantic Northern Railway Company, at Atlantic, Ia.
- Baltimore and Ohio Railroad Company, The—at St. Louis, Mo., and South Chicago, Ill.
- Baltimore and Ohio Chicago Terminal Railroad Company, The—at Grand Trunk Crossing, Ill.
- [fol. 824] Bauxite and Northern Railway Company, at Bauxite, Ark.
- Belt Railway Company of Chicago, The—at South Chicago, Ill.
- Central Railway Company of Arkansas, at Ola, Ark.
- Chesapeake and Ohio Railway Company of Indiana, The—at South Chicago, Ill.
- Chicago and Alton Railroad Company, The—at Chicago, Joliet, and Peoria, Ill., and Kansas and St. Louis, Mo.
- Chicago and Eastern Illinois Railroad Company, at Chicago, Ill., and St. Louis, Mo.
- Chicago and North Western Railway Company, at Cedar Rapids, and Des Moines, Ia., Chicago and Peoria, Ill., Lincoln and Omaha, Neb., Watertown, S. D., and at other points.
- Chicago, Burlington & Quincy Railroad Company, at Burlington and Des Moines, Ia., Chicago and Peoria, Ill., Kansas City and St. Louis, Mo., Lincoln and Omaha, Nebr., Minneapolis, Minnesota Transfer, and St. Paul, Minn., Denver, Colo., Leavenworth, Kans., and at other points.
- Chicago Great Western Railroad Company, at Minneapolis, Minnesota Transfer, and St. Paul, Minn., Des Moines and Mason City, Ia., Kansas City and St. Joseph, Mo., Leavenworth, Kans., Omaha, Nebr., South Chicago, Ill., and at other points.
- Chicago, Indianapolis & Louisville Railway Company, at South Chicago, Ill.
- Chicago Junction Railway Company, at Chicago, Ill.
- Chicago, Milwaukee and Gary Railway Company, at Joliet, Ill.
- Chicago, Milwaukee and St. Paul Railway Company, at Cedar Rapids, Council Bluffs, Des Moines, and Muscatine, Ia., Minneapolis, Minnesota Transfer, and St. Paul, Minn., Rock Island, South Chicago, and Moline, Ill., Sioux Falls, S. D., Kansas City, Mo., and at other points.

- Chicago, Peoria and St. Louis Railroad Company, at Peoria, Ill., and St. Louis, Mo.
- Chicago River and Indiana Railroad Company, The—at Chicago, Ill.
- Chicago, Rock Island and Gulf Railway Company, The—at Bravo and Glen Rio, Tex., and Ferral, Texhoma and Texola, Okla.
- Chicago, Saint Paul, Minneapolis and Omaha Railway Company, at St. Paul, Minneapolis, and Minnesota Transfer, Minn., Omaha, Nebr., Rock Rapids, Ia., Sioux Falls, S. D., and at other points.
- Chicago Short Line Railway Company, at South Chicago, and South Deering, Ill.
- Chicago, West Pullman & Southern Railroad Company, at South Chicago, and West Pullman, Ill.
- Cleveland, Cincinnati, Chicago and St. Louis Railway Company, The—at Chicago and Peoria, Ill., and St. Louis, Mo.
- Clinton & Oklahoma Western Railway Company, The—at Clinton, Okla.
- Colfax Northern Railway Company, at Colfax, Ia.
- Colorado Midland Railroad Company, The—at Colorado Springs, Colo.
- Colorado and Southern Railway Company, The—at Colorado Springs, Denver, and Falcon, Colo.
- Colorado Springs and Cripple Creek District Railway Company, The—at Colorado Springs, Colo.
- Davenport, Rock Island and North Western Railway Company, at Clinton and Davenport, Ia., and East Moline, Moline and Rock Island, Ill.
- Denver and Intermountain Railroad Company, The—at Denver, Colo.
- Denver and Rio Grande Railroad Company, The—at Colorado Springs, Denver, and Roswell, Colo.
- Denver and Salt Lake Railroad Company, The—at Denver, Colo.
- Des Moines Union Railway Company, at Des Moines, Ia.
- [fol. 825] Des Moines Western Railway Company, at Des Moines, Ia.
- Doniphan, Kensett & Searcy Railway, at Searcy, Ark.
- East St. Louis Connecting Railway Company, at St. Louis, Mo.
- El Dorado & Wesson Railway Company, at El Dorado, Ark.
- Elgin, Joliet and Eastern Railway Company, at Joliet, Minooka, and South Chicago, Ill.
- El Paso and Southwestern Company, at Tucumcari, N. M.
- Erie Railroad Company, at Chicago, Ill.
- Fordyce & Princeton Railroad Company, at Fordyce and Ivan, Ark.
- Fort Smith, Subiaco & Rock Island Railroad Company, at Furdanelle, Ark.
- Fort Smith & Western Railroad Company, at Guthrie and Oklahoma City, Okla.
- Fourche River Valley & Indian Territory Railway Company, at Bigelow, Ark.
- Glenmora & Western Railway Company, at Le Compte, La.
- Grand Trunk Western Railway Company, at Grand Trunk Crossing, Ill.

Great Northern Railway Company, at Jasper, Minneapolis, Minnesota Transfer, Pipestone, and St. Paul, Minn., Watertown, and Sioux Falls, S. D., and Lester, Ia.

Gulf, Colorado and Santa Fe Railway Company, at Ardmore and Lindsay, Okla.

Helena, Parkin & Northern Railroad Company, at Lucerne, Ark.

Illinois Central Railroad Company, at Chicago and Peoria, Ill., Memphis, Tenn., Omaha and South Omaha, Nebr., Rock Rapids, Ia., St. Louis, Mo., Sioux Falls, S. D., and at other points.

Illinois Northern Railway Company, at Chicago, Ill.

Indiana Harbor Belt Railroad Company, at Grand Trunk Crossing and South Chicago, Ill.

Interstate Car Transfer Company, at St. Louis, Mo.

Iowa Southern Railway Company, at Centerville, Ia.

Kansas City, Mexico & Orient Railroad Company, The—at Anthony, and Wichita, Kans., Clinton and Lone Wolf, Okla.

Kansas City Northwestern Railroad, at Kansas City, Mo., Leavenworth, Kans., and Virginia, Nebr.

Kansas City Southern Railway Company, The—at Howe, Okla., Kansas City, Kans., and Kansas City, Mo.

Kansas City Terminal Railway Company, at Armourdale, Kans., and Kansas City, Mo.

Kansas, Oklahoma & Gulf Railway Company, at Calvin, and Wapanucka, Okla.

Lake Erie and Western Railroad Company, The—at Peoria, Ill.

Leavenworth and Topeka Railway Company, The—Leavenworth, Kans.

Little Rock, Maumelle & Western Railroad Company, at Little Rock, Ark.

Louisiana & Arkansas Railway Co., at Winfield and Alexandria, La.

Louisiana Railway & Navigation Company, at Alexandria and Winfield, La.

Louisiana Western Railroad Company, at Eunice, La.

Louisville and Nashville Railroad Company, at St. Louis, Mo., and Memphis, Tenn.

Michigan Central Railroad Company, The—at Grand Trunk Crossing, Joliet, and South Chicago, Ill.

Midland Terminal Railway Company, The—at Colorado Springs, Colo.

Midland Valley Railroad Company, at Hartford, Ark., and Wichita, Kans.

[fol. 826] Minneapolis & St. Louis Railroad Company, The—at Minneapolis, Minnesota Transfer, and St. Paul, Minn., Des Moines, Ia., Peoria, Ill., Watertown, S. D., and at other points.

Minneapolis Eastern Railway Company, The—at Minneapolis, Minn.

Minneapolis, St. Paul & Sault Ste. Marie Railway Company, at Minneapolis, Minnesota Transfer, and St. Paul, Minn., and South Chicago, Ill.

- Minneapolis Western Railway Company, at Minneapolis, Minn.
 Missouri and North Arkansas Railroad Company, at Cotton Plant, Searcy, and Wheatly, Ark.
 Missouri, Kansas & Texas Railway Company, at Kansas City and St. Louis, Mo., Oklahoma City, Okla., and White City, Kans.
 Missouri Pacific Railroad Company, The—Kansas City, St. Joseph, and St. Louis, Mo., Leavenworth, Salina, and Wichita, Kans., Lincoln, and Omaha, Nebr., Brinkley and Little Rock, Ark., Alexandria, La., Memphis, Tenn., and at other points.
 Mobile and Ohio Railroad Company, at Memphis, Tenn., and St. Louis, Mo.
 Morgan's Louisiana and Texas Railroad and Steamship Company, at Alexandria, Lamourie, and Le Compte, La.
 Muscatine, Burlington & Southern Railroad Company, at Burlington and Muscatine, Ia.
 Nashville, Chattanooga & St. Louis Railway, The—at Memphis, Tenn.
 New Orleans, Texas & Mexico Railway Company, at Eunice, La.
 New York Central Railroad Company, The—at Chicago, Depue, and South Chicago, Ill.
 New York, Chicago and St. Louis Railroad Company, The—at Chicago, Ill.
 North Louisiana & Gulf Railroad Company, at Hodge, La.
 Northern Pacific Railway Company, at Minneapolis, Minnesota Transfer, and St. Paul, Minn.
 Oklahoma, New Mexico and Pacific Railway Company, at Ardmore, Okla.
 Pennsylvania Company, at Chicago, Peoria, South Chicago, and Washington Heights, Ill., and St. Louis, Mo.
 Peoria Railway Terminal Company, at Peoria, Ill.
 Peoria and Pekin Union Railway Company, at Peoria, Ill.
 Pere Marquette Railway Company, at Chicago, Ill.
 Pine Bluff and Northern Railway Company, at McCreanor, Ark.
 Pullman Railroad Company, at Pullman Junction, Ill.
 Quincy, Omaha & Kansas City Railroad Company, at Kansas City, Trenton, and Plattsburg, Mo.
 Railway Transfer Company of the City of Minneapolis, The—at Minneapolis, Minn.
 Red River & Gulf Railroad Company, at Le Compte and Meridian, La.
 St. Joseph Belt Railway Company, at St. Joseph, Mo.
 St. Joseph and Grand Island Railway Company, The—at Fairbury, Nebr., St. Joseph, Mo., and Wathena, Kans.
 St. Joseph Terminal Railroad Company, at St. Joseph, Mo.
 Saint Louis and O'Fallon Railway Company, at St. Louis, Mo.
 St. Louis-San Francisco Railway Company, at Ardmore, Enid, and Oklahoma City, Okla., Kansas City and St. Louis, Mo., Memphis,

- Tenn., Wichita, Kans., and at other points.
 St. Louis, El Reno and Western Railway Company, at El Reno and Guthrie, Okla.
 St. Louis Merchants Bridge Terminal Railway Company, at St. Louis, Mo.
 St. Louis Southwestern Railway Company, at Brinkley, Camden, Fordyce, Hazen, Kent, North Little Rock, and Stuttgart, Ark., St. Louis, Mo., and Memphis, Tenn.
 [fol. 827] St. Louis Transfer Railway Company, at St. Louis, Mo.
 St. Louis, Troy and Eastern Railroad Company, The—at St. Louis, Mo.
 St. Paul Bridge & Terminal Railway Company, at South St. Paul, Minn.
 St. Paul Union Depot Company, The—at St. Paul, Minn.
 Salina Northern Railroad Company, The—at Salina, Kans.
 Southern Railway Company, at Memphis, Tenn., and St. Louis, Mo.
 Terminal Railroad Association of St. Louis, at St. Louis, Mo.
 Texas and Pacific Railway Company, The—at Alexandria, Eunice, Lamourie, and Le Comte, La.
 Thornton & Alexandria Railway Company, at Tinsman, Ark.
 Toledo, Peoria & Western Railway Company, at Burlington and Keokuk, Ia., and Peoria, Ill.
 Toledo, St. Louis and Western Railroad Company, at St. Louis, Mo.
 Tremont and Gulf Railway Company, at Winnfield, La.
 Union Railway Company, at Memphis, Tenn.
 Union Pacific Railroad Company, at Leavenworth, Enterprise, and Topeka, Kans., Lincoln and Omaha, Nebr., Council Bluffs, Ia., Limon, Colo., Kansas City, Mo., and at other points.
 Union Stock Yards Company of Omaha, at South Omaha, Nebr.
 Union Terminal Railway Company, at St. Joseph, Mo.
 Vicksburg, Shreveport & Pacific Railway Company, at Ruston, La.
 Wabash Railway Company, at Council Bluffs, and Des Moines, Ia., Kansas City, and St. Louis, Mo., Chicago, Ill., Omaha, Nebr., and at other points.
 Warren & Ouachita Valley Railway Company, at Banks, Ark.
 Watertown and Sioux Falls Railway Company, at Sioux Falls and Watertown, S. D.
 Wichita Falls & Northwestern Railway Company of Oklahoma, at Elk City, Grandfield, and Mangum, Okla.
 Wichita Northwestern Railway Company, at Pratt, Kans.
 Wichita Union Terminal Railway Company, The—at Wichita, Kans.
 Wiggins Ferry Company, The—at St. Louis, Mo.
 Woodworth & Louisiana Central Railway Company, The—at Lamourie, La.
 Yazoo and Mississippi Valley Railroad Company, The—at Memphis, Tenn.

The Gulf Company with:

Arlington, Topeka and Santa Fe Railway Company, The—at Amarillo, Tex.

Chicago, Rock Island and Pacific Railway Company, The—at Brava, and Glen Rio, Tex., Terral, Texhoma, and Texola, Okla.

Dallas Terminal Railway & Union Depot Company, at Dallas, Tex.

Fort Worth & Denver City Railway Company, at Amarillo, Bowie, Dalhart, and Fort Worth, Tex.

Fort Worth & Rio Grande Railway Company, at North Fort Worth, Tex.

Fort Worth Belt Railway Company, at North Fort Worth, Tex.

Gulf, Colorado and Santa Fe Railway Company, at Dallas and Fort Worth, Tex.

Gulf, Texas & Western Railway Company, at Jacksboro, Tex.

Houston and Texas Central Railroad Company, at Dallas, and Fort Worth, Tex.

[fol. 828] International & Great Northern Railway Company, at Fort Worth, Tex.

Missouri, Kansas & Texas Railway Company of Texas, The—at Dallas, Fort Worth, and Ringgold, Tex.

St. Louis, San Francisco and Texas Railway Company, at Dallas, Irving, and North Fort Worth, Tex.

St. Louis Southwestern Railway Company of Texas, at Dallas, Fort Worth and North Fort Worth, Tex.

Texas and New Orleans Railroad Company, at Dallas, Tex.

Texas and Pacific Railway Company, The—at Dallas and Fort Worth, Tex.

Trinity and Brazos Valley Railway Co., The—at Fort Worth, Tex.

Wichita Falls & Southern Railway Company, at Graham, Tex.

The Morris with:

The carrier, at Morris, Ill.

Equipment

The equipment used by the carrier is divided in ownership as follows:

Owning	Account 51, locomotives	Account 53, freight cars	Account 54, passenger cars	Account 57, work cars
The Improvement Company	125	6,981	116	804
The carrier.....	1,293	28,937	914	3,838
The Choctaw	153	4,587	77	130
The Gulf Company.....	56	1,993	21	47
The Short Line	17	305	7	23
The Louisiana	28	1,354	8	5
The Stuttgart	1	0	0	2
The Dardanelle	1	0	0	0
The Keokuk	0	0	2	1
Totals	1,674	44,157	1,145	4,850

Engineering and General Expenditures

Engineering is estimated as $4\frac{1}{2}$ per cent of accounts 3 to 47, inclusive, for the main line from Joliet, Ill., through Davenport, Ia., and Omaha, Nebr., to the Kansas-Nebraska boundary, and from Davenport, Ia., to St. Joseph, Mo. For the remainder of the lines operated by the carrier, the Gulf Company or the Morris, engineering is estimated as 4 per cent of accounts 3 to 48, inclusive.

General expenditures, exclusive of interest, are estimated as $1\frac{1}{2}$ per cent of all road accounts, except account 2, land.

[fol. 829] Interest during construction is allowed at the rate of six per cent per annum for one-half the construction period plus three months, upon road accounts 1 to 48, inclusive, except account 2, land, and upon general expenditures, except account 76, interest during construction. It is computed at the same rate for three months upon equipment.

General information

Grading is computed on the two-way basis. To all embankments and ballast quantities, 10 per cent is added to cover shrinkage. Subsidence in swamps, actually developed by tests, is included in the report as follows: Iowa, 52,031 cubic yards; Minnesota, 21,766 cubic yards; Arkansas, 83,016 cubic yards; and Louisiana, 12,144 cubic yards.

Summaries

The Chicago, Rock Island and Pacific Railway Company

*Wholly Owned and Used, Including the Carrier's Portion of Jointly
Owned Minor Facilities*

Acct. No.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1.	Engineering	\$7,164,710	\$7,164,710
3.	Grading	41,128,882	40,926,306
5.	Tunnels and subways.....	356,069	344,738
6.	Bridges, trestles, and culverts.....	26,412,901	21,7380,99
8.	Ties	22,306,325	13,890,339
9.	Rails	23,993,555	19,133,417
10.	Other track material.....	6,520,752	3,993,771
11.	Ballast	12,084,885	9,187,334
12.	Track laying and surfacing.....	11,715,886	8,356,407
13.	Right-of-way fences	2,005,951	1,210,548
14.	Snow and sand fences and snowsheds	169,559	137,523
15.	Crossings and signs.....	2,144,118	1,693,828
16.	Station and office buildings.....	8,502,770	6,371,061
17.	Roadway buildings	657,692	450,292
18.	Water stations	2,258,321	1,789,212
19.	Fuel stations	749,368	525,196
20.	Shops and engine houses.....	5,809,131	4,365,743
23.	Wharves and docks.....	143,828	90,387
25.	Telegraph and telephone lines.....	587,758	444,261
27.	Signals and interlockers.....	1,989,399	1,701,338
29.	Power plant buildings.....	257,097	229,670
31.	Power transmission systems.....	1,703	981
32.	Power distribution systems.....	115,925	82,318
35.	Miscellaneous structures	125,968	109,742
36.	Paving	26,331	24,009
37.	Roadway machines	170,842	110,116
38.	Roadway small tools.....	72,787	39,768
[fol. 830]			
43.	Other expenditures—Road	264,636	189,472
44.	Shop machinery	2,043,712	1,221,387
45.	Power plant machinery.....	493,730	349,515
48.	Engineering instruments	6,746	4,720
	Deduction	510,314	492,147
Total, 1, and 3 to 48, inclusive.		179,771,003	145,384,059

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
II. Equipment:			
51.	Steam locomotives	19,502,119	13,094,277
53.	Freight-train cars	24,192,710	18,011,424
54.	Passenger-train cars	7,357,591	5,410,826
57.	Work equipment	4,039,904	2,434,573
Total, 51 to 58, inclusive....		<u>55,092,324</u>	<u>38,951,100</u>
III. General expenditures:			
71.	Organization expenses	} 2,704,220	2,188,146
72.	General officers and clerks		
73.	Law		
74.	Stationery and printing		
75.	Taxes	}	
77.	Other expenditures—General		
76.	Interest during construction.....	13,129,625	10,566,970
Total, 71 to 77, inclusive....		<u>15,833,845</u>	<u>12,755,116</u>
Grand total, 1, and 3 to 77, inclusive		<u>250,697,172</u>	<u>197,090,275</u>

[fol. 831]

In Illinois

*Wholly Owned and Used, Including Carrier's Portion of Jointly
Owned Minor Facilities*

Acct. No.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1.	Engineering	\$1,120,658	\$1,120,658
3.	Grading	4,868,571	4,794,972
5.	Tunnels and subways	14,522	13,205
6.	Bridges, trestles, and culverts	3,866,715	3,166,158
8.	Ties	2,700,279	1,676,821
9.	Rails	2,947,588	2,492,937
10.	Other track material	1,033,474	673,110
11.	Ballast	1,400,242	1,048,010
12.	Track laying and surfacing	1,876,418	1,368,492
13.	Right-of-way fences	114,967	63,397
14.	Snow and sand fences and snowsheds	3,510	2,633
15.	Crossings and signs	673,523	494,625
16.	Station and office buildings	1,797,771	1,308,673
17.	Roadway buildings	60,462	41,237
18.	Water stations	311,492	250,380
19.	Fuel stations	110,243	64,708
20.	Shops and engine houses	2,170,756	1,664,395
23.	Wharves and docks	143,828	90,387
26.	Telegraph and telephone lines	64,422	56,555
27.	Signals and interlockers	590,608	517,454
29.	Power plant buildings	147,350	135,722
31.	Power transmission systems	1,703	981
32.	Power distribution systems	70,868	52,599
35.	Miscellaneous structures	59,291	49,608
36.	Paving	439	377
37.	Roadway machines	52,901	39,450
38.	Roadway small tools	11,286	5,959
43.	Other expenditures—Road	13,009	9,442
44.	Shop machinery	1,112,399	699,446
45.	Power plant machinery	264,982	184,686
Total, 1, and 3 to 47, inclusive		27,604,277	22,087,077

Acct. No.	Classes	Cost of reproduction	
		New	Less depreciation
III. General expenditures:			
71. Organization expenses	}	414,065	331,310
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General			
76. Interest during construction		1,997,307	1,598,527
Total, 71 to 77, inclusive		2,411,372	1,929,837
Grand total, 1, and 3 to 77, inclusive		30,015,649	24,016,914

[fol. 832]

In Illinois

Jointly Owned and Used with the New York Central Railroad Company, One-half Each; 18,644 Miles of Tracks Located at Chicago, Valuation Section 1, Illinois

(Reproduction Costs Shown Constitute Only Carrier's Portion)

Acct. No.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1.	Engineering	\$100,943	\$100,943
3.	Grading	192,125	192,125
8.	Ties	31,864	19,118
9.	Rails	39,695	33,867
10.	Other track material.....	28,856	17,603
11.	Ballast	19,323	16,648
12.	Track laying and surfacing.....	35,369	25,974
15.	Crossings and signs.....	36,599	21,279
16.	Station and office buildings.....	2,048,946	1,703,181
18.	Water stations	5,092	3,892
23.	Wharves and docks.....	16,603	4,984
27.	Signals and interlockers.....	69,101	57,606
Total, 1, and 3 to 47, inclusive		2,624,516	2,197,217

Acct. No.	Classes	Cost of reproduction	
		New	Less depreciation
III. General expenditures:			
71. Organization expenses	} . . .	39,368	32,958
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	199,791	167,263
76. Interest during construction			
Total, 71 to 77, inclusive . . .		239,159	200,221
Grand total, 1, and 3 to 77, inclusive		2,863,675	2,397,438

[fol. 833]

In Illinois

Jointly Owned and Used with the Baltimore and Ohio, Chicago Terminal Railroad Company, One-half Each; 142 of a Mile of Track Located at Blue Island, Valuation Section 2-D to 2-I, Illinois

(Reproduction Costs Shown Constitute Only Carrier's Portion)

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$28	\$28
3. Grading		101	101
8. Ties		196	117
9. Rails		177	149
10. Other track material.....		49	37
11. Ballast		51	51
12. Track laying and surfacing.....		120	90
Total, 1, and 3 to 47, inclusive		722	573

Acct. No.	Classes	Cost of reproduction	
		New	Less depreciation
III. General expenditures:			
71. Organization expenses	}	11	9
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	55	44
76. Interest during construction.....			
Total, 71 to 77, inclusive, ..		66	53
Grand total, 1, and 3 to 77, inclusive		788	626

In Illinois

Jointly Owned and Used with the Michigan Central Railroad Company, One-half Each; 6.077 Miles, Valuation Section 2-J, Illinois

(Reproduction Costs Shown Constitute Only Carrier's Portion)

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$8,389	\$8,389
3. Grading		72,050	70,848
6. Bridges, trestles, and culverts.....		61,750	59,389
[fol. 834]			
8. Ties		10,234	6,141
9. Rails		12,493	10,771
10. Other track material.....		8,900	5,650
11. Ballast		5,372	4,722
12. Track laying and surfacing.....		11,591	8,566
15. Crossings and signs.....		27,337	25,653
Total, 1, and 3 to 47, inclusive		218,116	200,129

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
III. General expenditures:			
71. Organization expenses	} . . .	3,272	3,002
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	16,604	15,235
76. Interest during construction,			
Total, 71 to 77, inclusive . . .		19,876	18,237
Grand total, 1, and 3 to 77, inclusive		237,992	218,366

In Illinois

Jointly Owned and Used with the Michigan Central Railroad Company, the Chicago and Alton Railroad Company, and the Atchafalaya, Topoka & Santa Fe Railway Company, 25 Per Cent Each, .082 of a Mile of Track Located at Joliet, Valuation Section 2-J, Illinois

(Reproduction Costs Shown Constitute Only Carrier's Portion)

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$40	\$40
3. Grading		93	93
8. Ties		71	42
9. Rails		78	70
10. Other track material.....		74	57
11. Ballast		19	16
12. Track laying and surfacing.....		62	47
15. Crossings and signs.....		614	552
Total, 1, and 3 to 47, inclusive		1,051	917

[fol. 835]

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
III. General expenditures:			
71. Organization expenses	}		
72. General officers and clerks			
73. Law			
74. Stationery and printing		16	11
75. Taxes			
77. Other expenditures—General	}		
76. Interest during construction.....		80	70
Total, 71 to 77, inclusive...		96	81
Grand total, 1, and 3 to 77, inclusive		1,147	1,001

In Illinois

Jointly Owned and Used with the Chicago and Western Indiana Railroad Company, One-half Each; .685 of a Mile of Track at South Chicago, Valuation Section 4-A, Illinois

(Reproduction Costs Shown Constitute Only Carrier's Portion)

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$291	\$291
3. Grading		1,508	1,508
8. Ties		957	574
9. Rails		798	754
10. Other track material.....		1,094	712
11. Ballast		134	134
12. Track laying and surfacing.....		1,153	842
15. Crossings and signs.....		1,636	1,433
Total, 1, and 3 to 47, inclusive		7,571	6,248
III. General expenditures:			
71. Organization expenses	}	114	94
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	576	476
76. Interest during construction.....			
Total, 71 to 77, inclusive...		690	570
Grand total, 1, and 3 to 77, inclusive		8,261	6,818

*Jointly Owned and Used with the Chicago, Burlington & Quincy
Railroad Company, One-half Each; 5.883 Miles of Track at Gr.
tawa, Valuation Section 5a, Illinois*

		Cost of reproduction	
Acct. No.	Classes	New	Less depreciation
I. Road:			
1.	Engineering	\$2,552	\$2,552
3.	Grading	8,478	8,478
6.	Bridges, trestles, and culverts.....	614	488
8.	Ties	16,213	7,789
9.	Rails	13,668	12,756
10.	Other track material.....	4,184	2,915
11.	Ballast	4,399	2,289
12.	Track laying and surfacing.....	8,893	5,869
13.	Right-of-way fences	57	23
15.	Crossings and signs.....	198	145
Total, 1, and 3 to 17, inclusive		59,256	43,104
III. General expenditures:			
71.	Organization expenses	888	646
72.	General officers and clerks		
73.	Law		
74.	Stationery and printing		
75.	Taxes		
77.	Other expenditures—General	1,804	1,312
76.	Interest during construction.....		
Total, 71 to 77, inclusive....		2,692	1,958
Grand total, 1, and 3 to 77, inclusive		61,948	45,062
Carrier's portion		30,976	22,531

In Illinois

Jointly Owned with the Chicago, Milwaukee and St. Paul Railway Company, Carrier's Proportion of Ownership Being 33½ Per Cent; 1,566 Miles of Track Located at East Moline, Valuation Section 7a, Illinois

Cost of reproduction

Acct.	Classes	New	Less depreciation
I. Road:			
1.	Engineering	\$622	\$622
3.	Grading	540	540
6.	Bridges, trestles, and culverts.....	855	527
[fol. 837]			
8.	Ties	4,643	2,974
9.	Rails	3,236	2,811
10.	Other track material.....	1,505	955
11.	Ballast	577	311
12.	Track laying and surfacing.....	2,333	1,956
15.	Crossings and signs.....	138	90
Total, 1, and 3 to 47, inclusive		14,449	10,486
III. General expenditures:			
71.	Organization expenses	217	157
72.	General officers and clerks		
73.	Law		
74.	Stationery and printing		
75.	Taxes		
77.	Other expenditures—General	440	319
76.	Interest during construction.....		
Total, 71 to 77, inclusive...		657	476
Grand total, 1, and 3 to 77, inclusive		15,106	10,962
Carrier's portion		5,036	3,653

In Illinois

Jointly Owned and Used with the Chicago, Burlington & Quincy Railroad Company, One-half Each; 3.981 Miles of Track Located at Moline, Valuation Section 7b, Illinois

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$1,882	\$1,882
3. Grading		44	44
6. Bridges, trestles, and culverts.....		12,272	8,201
8. Ties		9,922	6,382
9. Rails		6,824	5,498
10. Other track material.....		5,490	3,247
11. Ballast		1,458	738
12. Track laying and surfacing.....		5,496	3,682
15. Crossings and signs.....		323	172
Total, 1, and 3 to 15, inclusive		43,711	29,846
[fol. 838]			
III. General expenditures:			
71. Organization expenses	}	656	448
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	1,330	908
76. Interest during construction.....			
Total, 71 to 77, inclusive...		1,986	1,356
Grand total, 1, and 3 to 77, inclusive		45,697	31,202
Carrier's portion		22,849	15,602

In Illinois

Owned but Not Used

Leased to Rock Island Southern Railway Company

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$675	\$675
20. Shops and engine houses.....		16,880	9,208
Total, 1, and 3 to 47, inclusive		17,555	9,883
III. General expenditures:			
71. Organization expenses	}	263	148
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General			
76. Interest during construction.....		1,336	752
Total, 71 to 77, inclusive...		1,599	900
Grand total, 1, and 3 to 77, inclusive		19,154	10,783

[fol. 839]

In Iowa

*Wholly Owned and Used, Including Carrier's Portion of Jointly
Owned Minor Facilities*

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1.	Engineering	\$2,316,534	\$2,316,534
3.	Grading	11,494,155	11,428,115
6.	Bridges, trestles and culverts.....	9,558,155	7,552,795
8.	Ties	7,310,792	4,472,177
9.	Rails	7,749,714	6,380,277
10.	Other track material.....	1,958,492	1,256,105
11.	Ballast	4,249,393	3,120,205
12.	Track laying and surfacing.....	3,851,547	2,747,936
13.	Right-of-way fences	718,321	404,699
14.	Snow and sand fences and snowsheds	63,887	44,140
15.	Crossings and signs.....	655,088	539,347
16.	Station and office buildings.....	2,885,427	2,108,697
17.	Roadway buildings	159,504	102,523
18.	Water stations	611,920	469,235
19.	Fuel stations	214,566	151,484
20.	Shops and engine houses.....	1,470,859	1,080,372
26.	Telegraph and telephone lines.....	181,480	113,441
27.	Signals and interlockers.....	947,941	806,455
29.	Power plant buildings.....	76,147	68,579
32.	Power distribution systems.....	13,373	9,086
36.	Paving	6,393	5,164
37.	Roadway machines	39,522	21,740
38.	Roadway small tools.....	26,485	14,572
43.	Other expenditures—Road	92,936	63,242
44.	Shop machinery	319,115	174,725
45.	Power plant machinery.....	87,023	64,317
48.	Engineering instruments	3,412	2,388
Total, 1. and 3 to 48, inclusive		57,062,181	45,517,743
III. General expenditures:			
71.	Organization expenses	855,931	682,764
72.	General officers and clerks		
73.	Law		
74.	Stationery and printing		
75.	Taxes		
77.	Other expenditures—General	3,731,996	2,993,081
76.	Interest during construction.....		
Total, 71 to 77, inclusive...		4,587,927	3,675,845
Grand total, 1. and 3 to 77, inclusive		61,650,108	49,193,588

[fol. 840]

In Iowa

Jointly Owned and Used with the Chicago, Milwaukee and St. Paul Railway Company, One-half Each; 2,953 Miles of Track Located at Davenport, Valuation Section 3a, Iowa

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$2,184	\$2,184
3. Grading.		12,719	12,719
6. Bridges, trestles and culverts.....		8,978	7,079
8. Ties		8,863	5,847
9. Rails		9,446	7,386
10. Other track material.....		3,749	2,033
11. Ballast		516	259
12. Track laying and surfacing.....		3,691	2,532
13. Right-of-way fences		11	8
15. Crossings and signs.....		473	291
43. Other expenditures—Road		95	59
Total, 1, and 3 to 47, inclusive		50,725	40,397
III. General expenditures:			
71. Organization expenses	}	761	606
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	1,545	1,230
76. Interest during construction.....			
Total, 71 to 77, inclusive...		2,306	1,836
Grand total, 1, and 3 to 77, inclusive		53,031	42,233
Carrier's portion		26,520	21,120

In Iowa

Jointly Owned with the Chicago, Burlington & Quincy Railroad Company, and the Chicago and North Western Railway Company, 33½ Per Cent Each; 2,895 Miles of Track Located at Council Bluffs, Valuation Section 10a, Iowa

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$1,122	\$1,122
3. Grading		1,191	1,191
[fol. 841]			
8. Ties		8,277	4,805
9. Rails		6,102	5,038
10. Other track material		3,247	1,945
11. Ballast		1,288	644
12. Track laying and surfacing.....		4,558	3,008
15. Crossings and signs.....		279	242
Total, 1, and 3 to 48, inclusive		26,064	17,995
III. General expenditures:			
71. Organization expenses	} ...	391	270
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	794	548
76. Interest during construction			
Total, 71 to 77, inclusive...		1,185	818
Grand total, 1, and 3 to 77, inclusive		27,249	18,813
Carrier's portion		9,082	6,272

In Iowa

Jointly Owned and Used with the Chicago, Burlington & Quincy Railroad Company, One-half Each; 1.452 Miles of Track Located at Council Bluffs, Section 10b, Iowa

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$531	\$531
3. Grading		1,499	1,499
8. Ties		3,425	1,732
9. Rails		3,151	2,445
10. Other track material.....		504	324
11. Ballast		794	397
12. Track laying and surfacing.....		2,235	1,386
15. Crossings and signs.....		183	105
Total, 1, and 3 to 15, inclusive		12,322	8,419
III. General expenditures:			
71. Organization expenses	}	185	126
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}		
[fol. 842]			
76. Interest during construction.....		375	256
Total, 71 to 77, inclusive...		560	382
Grand total, 1, and 3 to 77, inclusive		12,882	8,801
Carrier's portion		6,444	4,403

In Iowa

Jointly Owned and Used with the Chicago, Great Western Railroad Company, and the Chicago and North Western Railway Company, 33 $\frac{1}{3}$ Per Cent Each; 23 $\frac{1}{2}$ of a Mile of Track Located at Harlan, Valuation Section 17a, Iowa

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$100	\$100
3. Grading		452	452
8. Ties		705	405
9. Rails		543	453
10. Other track material		364	223
11. Ballast		81	40
12. Track laying and surfacing		326	215
15. Crossings and signs		17	13
Total, 1, and 3 to 47, inclusive		2,588	1,901
III. General expenditures:			
71. Organization expenses	} ...	39	29
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	79	58
76. Interest during construction			
Total, 71 to 77, inclusive ...		118	87
Grand total, 1, and 3 to 77, inclusive		2,706	1,988
Carrier's portion		902	662

[fol. 843]

In Iowa

Jointly Owned and Used with the Illinois Central Railroad Company, One-half Each; 1.062 Miles of Track Located at Cedar Rapids, Valuation Section 25a, Iowa

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$513	\$513
3. Grading		2,850	2,850
6. Bridges, trestles, and culverts.....		80	60
8. Ties		3,346	2,142
9. Rails		2,538	2,220
10. Other track material.....		1,256	815
11. Ballast		737	415
12. Track laying and surfacing.....		1,783	1,266
13. Right-of-way fences		31	25
15. Crossings and signs.....		205	176
Total, 1. and 3 to 17, inclusive		13,339	10,482
III. General expenditures:			
71. Organization expenses	}	200	157
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	406	319
76. Interest during construction.....			
Total, 71 to 77, inclusive...		606	476
Grand total, 1. and 3 to 77, inclusive		13,945	10,958
Carrier's portion		6,975	5,482

In Iowa

Jointly Owned and Used with the Chicago and North Western Railway Company, One-half Each; .823 of a Mile of Track Located at Cedar Rapids, Valuation Section 25b, Iowa

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$5,517	\$5,517
3. Grading		764	764
8. Ties		2,816	1,955
[fol. 844]			
9. Rails		3,393	3,268
10. Other track material.....		6,822	4,073
11. Ballast		3,559	2,874
12. Track laying and surfacing.....		2,455	1,792
16. Station and office buildings.....		118,107	87,586
Total, 1, and 3 to 47, inclusive		143,433	107,829
III. General Expenditures:			
71. Organization expenses	}	2,151	1,617
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}	4,368	3,283
76. Interest during construction.....			
Total, 71 to 77, inclusive...		6,519	4,900
Grand total, 1, and 3 to 77, inclusive		149,952	112,729
Carrier's portion		74,979	56,367

In Iowa

Jointly Owned and Used with the Chicago, Milwaukee and St. Paul Railway Company, and the Chicago, Burlington & Quincy Railroad Company, 33 1/3 per cent each; 3611 of a mile of Track Located at Clinton, Valuation Section 30a, Iowa.

Acct.	Classes	Cost of reproduction	
		New	Less depreciation
I. Road:			
1. Engineering		\$210	\$210
3. Grading		289	289
8. Ties		1,216	626
9. Rails		1,342	1,135
10. Other track material.....		165	117
11. Ballast		781	416
12. Track laying and surfacing.....		1,103	717
15. Crossings and signs.....		326	257
43. Other expenditures—Road.....		31	24
Total, 1, and 3 to 47, inclusive		5,463	3,791
III. General Expenditures:			
71. Organization expenses	}	82	57
72. General officers and clerks			
73. Law			
74. Stationery and printing			
75. Taxes			
77. Other expenditures—General	}		
[fol. 845]			
76. Interest during construction.....		166	115
Total, 71 to 77, inclusive...		248	172
Grand total, 1, and 3 to 77, inclusive		5,711	3,963
Carrier's portion		1,902	1,321

In Iowa

Jointly Owned and Used with the Chicago, Burlington & Quincy Railroad Company, One-half Each; 6.231 Miles of Track Located at Clinton, Valuation Section 30b, Iowa.

		Cost of reproduction	
Acct.	Classes	New	Less depreciation
I. Road:			
1.	Engineering	\$4,176	\$4,176
3.	Grading	4,746	4,746
6.	Bridges, trestles and culverts.....	1,840	1,623
8.	Ties	17,621	10,483
9.	Rails	14,203	11,981
10.	Other track material.....	6,420	3,808
11.	Ballast	8,134	4,741
12.	Track laying and surfacing.....	10,075	6,721
15.	Crossings and signs.....	1,614	1,318
16.	Station and office buildings.....	21,074	15,070
17.	Roadway buildings	1,345	772
18.	Water stations	1,835	1,117
19.	Fuel stations	418	334
20.	Shops and engine houses.....	14,520	9,233
43.	Other expenditures—Road	86	58
44.	Shop machinery	469	237
Total, 1, and 3 to 47, inclusive		108,576	76,478
III. General Expenditures:			
71.	Organization expenses	1,629	1,117
72.	General officers and clerks		
73.	Law		
74.	Stationery and printing		
75.	Taxes		
77.	Other expenditures—General	3,306	2,329
76.	Interest during construction.....		
Total, 71 to 77, inclusive...		4,935	3,476
Grand total, 1, and 3 to 77, inclusive		113,511	79,954
Carrier's portion		56,758	39,981

[fol. 846]

EVIDENCE: EXHIBIT Z

(Copy)

IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF IOWA, CENTRAL DIVISION

No. 4198. Equity

[Title omitted]

Affidavit of Clifford Thorne

STATE OF IOWA,

Polk County, ss:

I, Clifford Thorne, under oath depose and state:

I

That I am the party who has previously prepared and certified an affidavit in this proceeding, marked Exhibit "K-2."

That complainant in this case has introduced Exhibit "11," wherein it is intended to show the so-called valuation of its property within the State of Iowa, based upon the capitalization of net railway operating income at 6%. This presentation shows an apparent decline in the valuation apportioned to Iowa from \$22,615,471 in 1920, to \$9,621,403 in 1921. Another sheet of the said exhibit shows an apparent decline in the valuation arrived at by the capitalization of the net railway operating income at 7% from \$19,384,689 in 1920, to \$8,246,917 in 1921.

That the aforesaid showing is misleading and deceptive because of several facts:

[fol. 847] 1st. The exhibit introduced in the present hearing shows an apparent value (capitalizing at 6%) for 1920, as above stated, amounting to \$22,000,000, in round numbers; whereas the same complainant showed in an exhibit before the federal court for this district, filed September 13, 1921, the following:

"In each of these exhibits, Nos. 3 and 4, no figures are shown under the 1920 column, for the reason that there were no net earnings for that year, the amount of net earnings having steadily dwindled until they disappeared in 1920."

The apparent discrepancy in the two exhibits just described is occasioned by the use of calendar years in 1921 and the use of fiscal years in the present proceedings.

In the present case complainant has used the net railway operating income for the year ending June 30, 1921; whereas the statute requires, and the carrier did in fact present to the Executive Council, the figures for the year ending December 31, 1921.

That if the complainant, the Chicago Rock Island & Pacific Railway Company had used the correct figures for the calendar years ending December 31, 1920, and December 31, 1921, instead of showing a decline in the valuation of its property it would have shown an actual increase aggregating approximately 33 1/3% in 1921 over 1920. This is true whether this net income would be capitalized at 4%, 5%, 6%, 7%, or any other figures, for the simple reason that the net income of the said complainant showed an increase aggregating that amount. In this statement we have given full allowance for the money received from the U. S. government during the year 1920, and still the increase exists as stated.

That the method adopted by the carrier serves to further distort [fol. 848] the true situation for the year 1921, because of the fact that the use of the fiscal year ending June 30, 1921, carries the year back for six months in the calendar year 1920, and the complainant has failed to include for any portion of the calendar year 1920 any guaranty or compensation received from the government, or due said company from the said government.

II

Further deponent saith, that Exhibit No. 11 filed by complainant, The Chicago, Rock Island & Pacific Railway Company, is subject to a fundamental error in the statement of the valuation of its property, using the capitalization of net income method, when the said company fails to show the correct income for the years 1918, 1919, and 1920. The complainant includes in its income for these years the figure technically called net revenues from operation, and ignores all compensation and guaranty received from the U. S. government for the use of its property. When the government took over the property of The Chicago, Rock Island & Pacific Railway Company, the first of the year 1918, a solemn contract was offered and subsequently accepted, for the payment to the said company by the U. S. government of a sum described in the Act of Congress as "just compensation," for the use of the property of the complainant. The government had the option of two methods of making up this money compensation: first, by the raising of freight rates corresponding to the increased operating costs; or, second, paying it out of the public treasury. Based upon the reports of the Congressional Committees in charge, and public declaration of the director general of railroads, it can be stated that a part of the exorbitant costs existing [fol. 849] on our transportation system was due to the war emergency and the matter of public or governmental policy, for which the shipper was in nowise responsible; further this transportation facility was used to expedite troops, war munitions and supplies, and in expediting it causing further burdens to rest upon the transportation. At the time it was of little concern to the carrier whether the government paid the compensation for the use of transportation of property out of use or out of the public treasury. The British government made no increases in freight rate during the entire war period from the middle of the year 1914 to the close of the war,

absorbing all these extra costs as a part of the war burden to be borne by the public as a whole, and not by the shipper alone.

The income received from the government for the use and operation of these railroad properties was based upon the three years immediately preceding, as a fair basis for the amount of compensation for the operation of said property as long as the government operated the same. Failure to include this income fails to represent the true income this company has received, because of the ownership of its properties in the State of Iowa on which the State requires the taxation to be paid.

During governmental operation railroad equipment was largely pooled and central regional operating divisions were created. The unscrambling process necessary upon the resumption of private operation further required the lapse of some substantial period of time, for which reason the government offered to extend the period under which assured income would be obtained by the railway companies. This was affected in the shape of a government guaranty and further constitutes a part of the consideration for the use of the properties, because as a part of the rental contract the government agreed to restore the properties at the termination of the period in the same condition as when received, or to make up the difference to the carrier. The guaranty period extended from March 1, 1920 to September 1, 1920. As further evidence of the nature of the transaction, the government authorized an increase of freight rates on The Chicago, Rock Island & Pacific Railway Company, effective August 26, 1920, immediately prior to the termination of the guaranty period. In the series of exhibits offered by complainant the failure in any of them to include income received from the government in the shape of "just compensation" for the use and operation of the property or in the shape of guaranty during the transition period from government operation to private operation, presents an untrue and inaccurate showing as to the income from the property and the value of the said property when estimated on said income. This applies to Exhibit "11" of complainant, sheets marked Exhibit "No. 3" and Exhibit "No. 4."

III

Complainant's Exhibit "11," sheet marked "Exhibit No. 5" fails to allow for the net railway operating income for the last four months of 1920, and fails to present income figures for years prior to 1919 or for the year 1921.

IV

Complainant's Exhibit "11," sheet marked "Exhibit No. 6" shows an incorrect percentage of reduction applicable to the property accounts of the carriers. The Interstate Commerce Commission have reduced the claims of the railway companies by 9.64% [fol. 851] instead of 8.15%. The whole figure belonging not to claim of value of the railroads but to the investment in road and

equipment, as the Commission has found it, excluding other factors claimed by the carrier. (If in fact, the complainant in this case has used as its base figure on the first line of this exhibit, Investment in Road and Equipment exclusively controlling the other factors claimed by it in Ex Parte 74, then the same exhibit is accurate and the per cent 8.15 is correct).

V

Complainant's Exhibit "11," sheet marked "Exhibit No. 7." This computation is a numerical average of averages which in itself is fundamentally wrong from an accounting standpoint. This computation gives equal weight to the par value of stocks and bonds as to the investment figures of the properties of the carrier. It also gives equal weight to the market value of said stocks and bonds. It also allows equal weight to be given to the capitalization of net railway operating income on a 7% basis and on a 6% basis. It also allows for equal consideration to be extended to the capitalization of the standard return of the carriers without allowing for any increases in said computation as to standard return since September 1, 1920. It also allows for the property investment figures shown in Ex Parte 74, without allowing for any increases in property since October 31, 1919, which was the base figure there used. It also allows for a capitalization of net railway operating income which does not include large and substantial sums making up their income paid to them by the U. S. government for the use and operation of the property at issue. All of the aforesaid objections to this tabulation discredit the use of the same as an untrustworthy and unreliable [fol. 852] index of value of the property of complainant for taxation purposes within the State of Iowa.

Apportionment of values to the State of Iowa as shown in complainant's Exhibit "11," sheet marked "Exhibit No. 1" is subject to the following objections:

1. Complainant uses the ratio of gross revenues in Iowa compared to the system as one of the percentages.

Apportionment of values to a state on the revenue basis for the purposes of determining the valuation within the state has been condemned by reputable accountants and by the Supreme Court of the United States in the Minnesota Rate Case.

2. The methods used by complainant of apportioning the value to the state on the net revenue basis is subject to the same comment as that just made as to the apportionment of gross revenues.

Apportionment of values upon the net revenue basis is subject to the further objection as follows: The showing of apparent net revenues within the state of Iowa is inaccurate because it fails to give proper recognition to the traffic originated on and the value of branch lines. If gross revenues are apportioned on the mile pro rate basis as between state and interstate traffic, then unless a proper distribution [fol. 853] tion of expenses shall be made, the net result is that practically all the branch lines would probably show a deficit. The ne-

cessity to consider branch lines as a part of a system and the distribution of expenses accordingly so as to take care of the branch line which originates the traffic has been well recognized and established in the opinions courts, commissions and accountants. Illustrating the significance of this factor, we call attention to the factional dispute existing years ago between the board of directors and the stockholders of the Northern Pacific. The stockholders objected to the branch line, and employed an accountant who proved that practically all branch lines were failing to earn operating expenses. The board of directors on the other hand, employed an accountant who proved that if it was not for the traffic which the branch lines operated, the main lines would not earn operating expenses, but that considered together, the system as a whole was prosperous; and allocating sixty per cent of the earnings on through traffic to the branch lines, showed that practically all of the said branch lines were prosperous as well as the main lines. We are fully cognizant of the fact that the Iowa statute requires distribution of gross earnings on the mile pro rate basis, but it makes no requirement as to the distribution of expenses. A part of the expenses of originating this traffic on the branch line should be charged against the main line; otherwise false results will ensue.

[fol. 854] Further illustrating this same fact in accounting, we cite the following extract from public document, being Bulletin 21 of the Department of Commerce and Labor of the Bureau Census. Extract from communication of railroad official concerning validity of accounting method of distribution with the states:

"If I were called upon to say which division of the (R. R.) was the most valuable, I should be compelled to say that neither division alone would pay operating expenses, and that one division contributed as much as another to the general scheme which earns considerably more than operating expenses. Therefore, one division is as valuable as the other, and in apportioning the value of the — line between the states an apportionment on the basis of mileage would be fair. There are other systems where such an apportionment would probably be unfair. * * *

"In reorganization of insolvent railroad systems where securities have been issued covering the different sections of the main line and different branches, the problem of determining the value of the different sections and the different branches is always a most difficult problem. I remember in the reorganization of the (R. R.) the statistics of the railway company showed that most, and perhaps all, of their branches were operated at a loss, or if not at a loss, at a trifling profit. From this showing it was determined that they were of little value and should have little consideration in the securities issued in the reorganization. But an expert accountant unearthed the fact that 60 per cent of all the traffic of the whole line went to, or was shipped from, the branch lines. It therefore appears that if these branch lines had not existed, the whole system would have earned only 40 per cent of its previous earnings, which would have made the main line as worthless as its branches."

Further illustrating the same principle in accounting, wherever genuine competition exists from securing traffic from a feeder or branch line, main lines will offer from 25 to 60 per cent of the total [fol. 855] revenue received from the said traffic, even though the mile pro rate basis would only amount to 10 or 15 per cent. This is general throughout the State of Iowa. At the present time the minimum allowance for a division of earnings in Iowa is approximately 25 per cent. Years ago the prevailing percentage was 40 to 60 per cent. This fact is given subject to the criticism of the apportionment of gross earnings on through traffic under the Iowa statute. The answer being that if gross earnings are so apportioned, then the expenses must be so allocated as to care for this factor.

3. The complainant shows traffic units as a method of apportionment to the State of Iowa, which assumes that a ton hauled a mile in Iowa produces the same revenue when the value is apportioned on the revenue basis. When moving between two points in Iowa, as it receives when a part of a through interstate haul, the average haul in Iowa is not more than one-third or one-fourth of the average on the system of the Rock Island. In other words, terminal charges are distributed over three to four times as many miles on the interstate haul as on the state haul; consequently the revenue per ton mile on state traffic is much higher than on the through interstate traffic, whether moving across the state or from points in Iowa to outside points. Any computation using the factor here considered by complainant fails to take into consideration the higher earnings here described.

[fol. 856] 4. Complainant then takes the average of the six months of apportionment and styles that the use of property. If said average did in fact represent the use of property it might be of considerable significance, but to the extent that it reflects apportionment on the gross revenue basis on the net revenue basis, it is erroneous and does not represent the relative use of the property. Further to the extent that it adopts the ton mile basis, it fails to show a proper apportionment upon the capitalization of net income as the method used by complainant to determine the fundamental value of the property, because it fails to fundamentally properly apportion the gross income or the net income to the State of Iowa.

The average of the percentages here described allocates to Iowa approximately 22 to 25½ per cent of the value of the entire property; whereas the apportionment on the mileage operated would allocate to Iowa over 29 to 30 per cent of the value of the system. Such average to the extent that it contains erroneous factors above described should be corrected.

A mathematical error of the aforesaid sheet is shown under the column headed 1921. The total in this column is divided by six to find the average for Iowa. In other words, no allowance is made for the failure of any figure beside net revenue. This is true within the system as a whole as well as the railroad in Iowa, according to complainant's own figures showing a deficit for that year. This

error runs through each of the first four sheets of the exhibit in [fol. 857] question.

(Sgn.) Clifford Thorne,

Subscribed and sworn to before me by Clifford Thorne, this
25th day of October, 1922. (Sgn.) Wenogene Hobbs,
Notary Public in and for said County. (Seal.)

[fol. 858] IN THE SUPREME COURT OF THE UNITED STATES, OCTOBER
TERM, A. D. 1923

[Title omitted]

Appeal from the District Court of the United States, Southern Dis-
trict of Iowa, Central Division

NOTICE

To Ben J. Gibson and Bruce J. Flick, Attorneys for Appellees above
named:

We herewith serve upon said appellees and upon you, copy of
statement of errors upon which appellant in the above entitled cause
intends to rely, and statement of parts of the record which appellant
deems necessary for the consideration thereof, and which appellant
desires to have printed.

Dated this 22nd day of January, A. D. 1923.

W. F. Dickinson, W. F. Peter, and J. G. Gamble, Attorneys
for Appellants.

[fol. 859] Service of the foregoing Notice is hereby accepted at Des
Moines, Iowa, this 22nd day of January, A. D. 1923, and receipt of
copies of the statement of errors and statement of parts of the record
appellant desires to have printed, received on said day.

Ben J. Gibson, Attorney General of Iowa; Bruce J. Fleck,
Attorneys for Appellees.

[fol. 860] IN THE SUPREME COURT OF THE UNITED STATES, OCTOBER
TERM, A. D. 1923

No. —

[Title omitted]

STATEMENT OF POINTS TO BE RELIED ON AND DESIGNATION OF PARTS
OF RECORD TO BE PRINTED—Filed Jan. 29, 1923

Appeal from the District Court of the United States, Southern
District of Iowa, Central Division

The Chicago, Rock Island & Pacific Railway Company, the above named appellant, by W. F. Dickinson, W. F. Peter, and J. G. Gamble, its attorneys, presents the following Statement of Errors upon which said appellant intends to rely in the above entitled cause, and statement of the parts of the record which appellant deems necessary for the consideration thereof; said errors being as follows, to-wit:

"1. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant the relief prayed for.

2. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.

[fol. 861] 3. The said court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed for, for the reason that the use or certification of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.

4. The said court, constituted under Section 266 of the Judicial Code, erred in denying to complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or allegations of its bill upon final hearing.

5. The said court, constituted under Section 266 of the Judicial Code, in denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

6. That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

8. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the Statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of law, *and will deny to complainant the equal protection of the law*, all contrary to and violation of the Fourteenth Amendment to the Constitution of the United States.

9. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

[fol. 862] 10. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at law or in equity, and will be subjected to a multiplicity of suits.

11. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of complainant's property the sum of \$30,400.00 per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335, and 1336, of the Code of Iowa of 1897, as amended.

12. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$30,400.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said court, so constituted under Section 266 of the Judicial Code, erred in denying to this complainant a temporary injunction as prayed for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$30,400.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382, of the Code of Iowa, as amended.

and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to the United States Constitution."

Appellant deems all the record, with the exception of the parts hereinafter requested to be omitted, necessary for the consideration of the errors relied upon, and requests said record, except such parts as are hereinafter designated to be omitted, to be printed:

1. Omit all of complainant's Exhibit "1" (the same being the "Report of Special Tax Commissioner Appointed in 1911"), except: the title page; the Letter of Transmittal, immediately preceding the Preface; the Preface; Chapter 2 thereof, being pages 17-46 inclusive, [fol. 863] and except: that part of Chapter 4 of said Exhibit, commencing with page 59, and to and including that part of page 63 ending with the heading "Taxation of Moneys and Credits."

2. Omit all of complainant's Exhibit "2" (the same being the "Bulletin of Census of the United States, 1920, Relative to Agricultural Statistics of Iowa and its Counties"), except: pages 1, 3, and the first column of printed matter and the first column of figures under the heading "The State" on page 12.

3. Omit all of complainant's Exhibit "3" (the same being "Bulletin 874 of the United States Department of Agriculture Relative to Farm Lands in Iowa"), except: the title page; and commencing at and including page 1, to and including the first paragraph on page 5.

Respectfully submitted, W. F. Dickinson, W. F. Peter, J. G. Gamble, Attorneys for Appellant.

[fol. 864] [File endorsement omitted.]

Endorsed on cover: File No. 29,336. S. Iowa D. C. U. S. Term No. 193. Chicago, Rock Island & Pacific Railway Company, appellant, vs. Nathan E. Kendall, Governor of the State of Iowa; Walter C. Ramsay, Secretary of State of Iowa; Glenn C. Haynes, Auditor of the State of Iowa, et al. Filed January 8th, 1923. File No. 29,336.

FILED
OCT 16 1924

WM. R. STANB
CLE

IN THE
Supreme Court of the United States

No. 22

OCTOBER TERM, A. D. 1924.

CHICAGO GREAT WESTERN RAILROAD COMPANY,
Appellant,

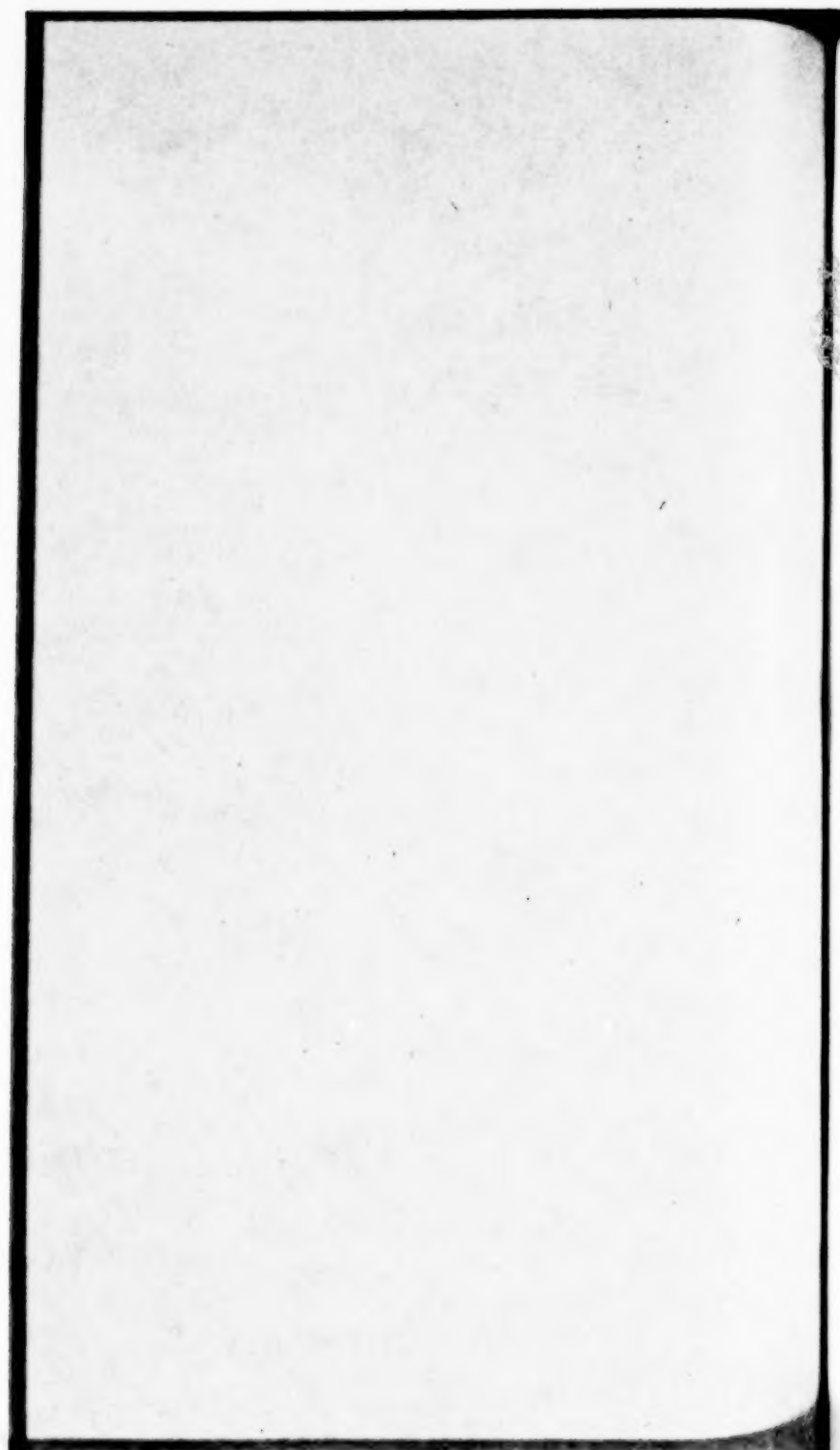
vs.

NATHAN E. KENDALL, GOVERNOR OF THE STATE,
ET AL., *Appellees.*

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE SOUTHERN DISTRICT OF IOWA.

BRIEF FOR APPELLANT.

CLIFFORD V. COX,
WM. F. RILEY,
DONALD EVANS,
Solicitors for Appellant.



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IN THE
Supreme Court of the United States

No. 22.

OCTOBER TERM, A. D. 1921.

CHICAGO GREAT WESTERN RAILROAD COMPANY,
Appellant,

vs.

NATHAN E. KENDALL, GOVERNOR OF THE STATE,
ET AL., Appellees.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE SOUTHERN DISTRICT OF IOWA.

BRIEF FOR APPELLANT.

STATEMENT.

This action was brought to enjoin the certification by the Executive Council of the State of Iowa of the assessment for taxation made by it of Complainant's property within the State, on the ground that the same is illegal because discriminatory, in violation of Section 6 of Article I and Section 2 of Article VIII of the Constitution of Iowa, and also in violation of the provisions of Section 1 of the Fourteenth Amendment to the Constitution of the United States, which prohibits the States from denying to any person the equal protection of the law.

An Application for Preliminary Injunction was heard by a Court organized under the provisions of Chapter 266 of the Judicial Code, and by it denied. This appeal is from that order.

The Complainant, the Chicago Great Western Railroad Company a citizen of Illinois, owns and operates a system of railway extending into and through the State of Iowa. Its total mileage operated is approximately 1,496 miles, 769.176 of which is located within that State. It is a single track railway, owning no terminals in any of the gateways of Chicago, the Twin Cities, Omaha and Kansas City, to which it runs, except small freight terminals in the city of Minneapolis. In these terminals it is required to operate over leased lines, and to reach Kansas City it is compelled to acquire rights by lease over several different lines.

The Statutes of Iowa, Sections 1334, Code Supplement of 1913, and Section 1336 of the Code of 1897, provide that railway property shall be assessed for taxation by the Executive Council, which consists of the Governor, Secretary of State, Treasurer of State and Auditor of State. For this purpose the value of the property shall be determined as a whole within the limits of the State, and by the Council certified to the respective Counties through which its line extends, on the basis of the miles of main line within each County; and by the County authorities separated or distributed to the various taxing districts through which its line extends, on the basis of miles of main track located within the respective taxing districts. The taxes paid are computed by applying the levies of the respective taxing districts, and are paid to the treasurers of the respective counties.

In the year 1922, the Executive Council assessed the property of the Complainant at \$22,306,104.00, or \$29,000.00 per mile.

Section 2 of Article VIII of the Constitution of the State of Iowa provides that the property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals, and Section 6 of Article I provides that "all laws of a general nature shall have a uniform operation." Section 1305 of the Code of 1897 provides "All property subject to taxation shall be valued at its *actual value* * * *. Actual value of property as used in this *Chapter* shall mean its value on the market in the ordinary course of trade."

The claim of discrimination is based upon the fact that in the year 1922, and for several years prior thereto, a substantial portion of the property subject to taxation in the State, to wit, farm lands, which comprise more than 50 per cent of the total value of taxable property, had been assessed at less than their actual value, and, that such departure from the mandate of the Statute, that all property should be assessed at its actual value, had been uniform, systematic and notorious.

By stipulation it is established upon the hearing in the Court below, that in the year 1922 the actual average value of farm lands throughout the State was \$125.00 per acre, whereas the actual average assessed value for the purpose of taxation was \$76.63, or 61.3 per cent of the actual value as fixed by the stipulation.

The proof adduced included a report of the Tax Commission appointed in 1911, pursuant to authority of Chapter 201 of the Acts of the Thirty-fourth General Assembly, which, on October 8th, 1912, transmitted its report to the Governor. This report was introduced as Exhibit 1 and appears in the Record commencing on page 40. It contains the following. (Record, page 63, folio 149:)

"By making a careful comparative study of actual valuations as given in the report of the Federal

Census and assessed valuations to be found in the report of the Auditor of State, the Commission has discovered that in 1850 property was being listed for taxation at approximately its entire sale value. At the present time, it is being listed at about one-half of its sale value and assessed at one-fourth of that amount."

There follows various Tables of comparisons between the actual and assessed value of farm lands. In such report it also appears, (Record, page 55, folio 125,) after referring to the ratio of assessed to actual value of farm lands in selective Counties, that—

"Two conclusions are apparent from a study of this Table; first, that the assessed valuation decreased very materially, the general average being eighty per cent in 1903, as compared with fifty-five per cent in 1909; and second, gross inequalities exist as between the aggregate assessed valuations of the various counties of the State."

This information is compiled in Table V, set in opposite page 51 of the Record, folio 123.

Folio 126 and Table VI, page 57 of the Record, shows that the ratio of the assessed value to true value of lands, January 1st, 1911, was 41.59 per cent in certain selected Counties.

Exhibit 2, Record, page 66, Fourteenth Census of the United States, 1920, contains a Table which shows that the average value of farm lands per acre, without buildings, in 1910 was \$82.58 and in 1920, \$199.52. In 1910, as appears by the Commission's tax report, lands were assessed at about one-half of their value, and in 1920, at a time when, according to the Exhibit referred to, their value was \$199.52 per acre, the average assessed value was \$75.61, or approximately 38% of their actual value.

By Exhibit 3, page 78 of the Record, Bulletin 874 of the Department of Agriculture, it appears that in 1917 the average value per acre of lands in Iowa was \$156.00, whereas their assessed value for that year (Record, page 106) was \$68.13. In 1918, their value per acre was \$171.00 and their assessed value the same as in 1917; that is, in 1917 43% plus, and in 1918 about 39%. By the same Exhibit it is shown that in 1919 the actual average value of farm lands was \$192.00 and their assessed value \$75.64—approximately 39%. In 1920 their actual value was \$255.00 and their assessed value the same as in 1919—\$75.64, less than 30%. In 1921 the average assessed value was \$76.63, the same as in 1922, and their actual value not less than \$125.00 per acre, as found by a Court organized under Section 266 of the Judicial Code, 278 Federal, 298.

The evidence also shows by the affidavit of A. H. Davison former secretary of the Executive Council Exhibit 4, Record, page 84 and Table thereto attached, shows that it was disclosed, as a result of an investigation initiated by that body, that in 1903 the average assessed value of lands was 80% of their actual value; in 1909, 55%; in 1913, 46% and in 1919, 46% plus. That the tabulation attached to his affidavit, from which the foregoing percentages appear, was a part of the records in the office of the Secretary of the Executive Council.

In addition to the foregoing were the affidavits of W. L. Harding, former Governor, who stated in his opinion that the average assessed value of farm lands during his tenure and service as a member of the Executive Council did not exceed 50% of their actual value; the affidavit of Frank S. Shaw, former Auditor, and thus a member of the Executive Council, is to the same effect, and that of E. H. Hoyt, former State Treasurer, who stated that

the assessed value of farm lands was much less than their actual value. These affidavits appear as Exhibits 7, 8 and 9, appearing on pages 103, 104 and 105, respectively, of the Record.

For the purpose of showing that the property of the Complainant was, when assessed at the rate of \$29,000.00 per mile, subjected to taxation on the basis of a greater proportion of its actual value than farm lands, there was shown by Exhibit 11 the operating results of Complainant's property for the five years immediately preceding January 1st, 1922, the compensation paid by the Government during the period of Federal Control, commonly known as the standard return; the market value of stocks and bonds; the value as indicated by the engineering report, prepared pursuant to the direction of the Bureau on Valuation of the Interstate Commerce Commission; and the net earnings within the State of Iowa, computed in accordance with the provisions of the Iowa Statute. A recapitulation of the data disclosed in this affidavit appears on page 126 of the Record, which shows that the value per mile, according to the physical value, is \$13,515.00, according to net earnings in Iowa capitalized at five per cent, \$21,509.00, market value of the securities, \$23,791.00 (the average market value for a five year period), according to the system net earnings capitalized at 5 per cent and apportioned, \$10,510.00, and standard return, capitalized at five per cent and apportioned, \$39,859.00. In the net earnings, both in Iowa and for the system apportioned, a period of five years is used.

It is also disclosed in the Record by Exhibit B to Exhibit O, which latter was an affidavit of Clifford Thorne, shown opposite page 116 of the Record, that the system income for a period of ten years, in which the affiant used the standard return for the period of Federal Control

and six months thereafter, instead of the actual operating results, allocating to Iowa 50% of the system value, was \$23,483,166.00, when the same is capitalized on the basis of six per cent.

If to any of these figures the equalizing factor of 61.3% is applied, the highest possible figure obtainable is \$26,674.00 per mile.

The trial Court held that the showing made by the Complainant was insufficient to entitle it to a preliminary injunction, saying—

"On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the assessed value is 66 per cent plus if the figures of the carrier be correct, or 54 per cent plus if the figures of respondents are right. Using the reports to the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50% is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40% thereof. Using this same method as to the value found in Ex Parte #71, the result is slightly above 40%."

The dispute between the parties relative to the tentative physical value, which is indicated by the foregoing quotation, is not in fact a dispute. The difference in figures is explained by affidavit, Exhibit 20, page 129 of the Record, which shows that the witness Thorne in his affidavit, Exhibit O, erroneously added to the report of the Bureau on Valuation approximately two and one-half million dollars for working capital, and that he has added thereto as additions and betterments the amount taken into the capital expenditures account, as the result of the acquisition of the W., M. & P. R. R., its subsidiary, the property of which was included in the tentative engineering report, as set forth in Exhibit 11.

Moreover, the statement that, according to the reports to the Railroad Commission and Executive Council for the year 1921, the value of the system is \$120,000.00 is erroneous. Such report is set forth as Exhibit P, Record, page 190, tables of figures being inserted opposite page 192, and nowhere discloses any such statement of value, except in connection with the amount of outstanding stocks and bonds. On the contrary, in that report the value in Iowa is \$15,265,231.00, or approximately \$19,000.00 per mile.

Moreover, it is shown that the cost of property account as carried on Complainant's books does not represent actual cash expenditure, but merely the par value of securities issued at the time the property was acquired, plus subsequent additions and betterments. (Record, page 129, folios 399 and 400.)

By affidavit Ex. No. 20 (Record, p. 129) it is shown that the Interstate Commerce Commission has made a tentative accounting report in which it is shown that the cost of the property should be carried on the books at 73 million instead of one hundred twenty.

It is conceded that approximately fifty per cent of the value of complainant's system is properly allocated to Iowa.

SPECIFICATION OF ERRORS RELIED UPON.

1. The said court, constituted under the provisions of Section 266 of the Judicial Code erred in denying to Complainant the relief prayed for.

2. The said Court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to Complainant a temporary injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.

3. The said Court, constituted under the provisions of Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed for, for the reason that the use or certification of the assessment made by the Executive Council of the State of Iowa of the property of Complainant for the purpose of taxation results in an illegal discrimination as against the Complainant, and is therefore illegal and void.

4. The said Court, constituted under Section 266 of the Judicial Code, erred in denying to Complainant the temporary injunction prayed for, for the reason that under the evidence adduced it was clearly shown that in all reasonable probability the Complainant could and would sustain the allegation or the allegations of its bill upon final hearing.

5. The said Court, constituted under Section 266 of the Judicial Code, in denying to Complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

6. That the denial by the said Court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

7. For the reason that the evidence adduced by Complainant fully met the burden of proof imposed upon it by law.

8. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to Complainant a temporary injunction for the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the Statutes of the State of Iowa for the levying of taxes, will deprive Complainant of its property without due process of law, and will deny to Complainant the equal protection of the law, all con-

trary to and in violation of the Fourteenth Amendment to the Constitution of the United States.

9. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to Complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the Statutes for the levying of taxes, will impose upon this Complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 5 of Article I, and Section 2 of Article VIII, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

10. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to this Complainant a temporary injunction as prayed for the reason that Complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at law or in equity, and will be subjected to a multiplicity of suits.

11. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to this Complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of Complainant's property the sum of \$29,000 per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335 and 1336, of the Code of Iowa of 1897, as amended.

12. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to this Complainant a temporary injunction as prayed, for the reason that the act of defendants in certifying or utilizing as the as-

assessment of the property of this Complainant for the purpose of taxation the sum of \$29,000 per mile, denies to this Complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

13. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to this Complainant a temporary injunction as prayed, for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this Complainant for the purpose of taxation the sum of \$29,000 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382, of the Code of Iowa, as amended, and said Sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to the United States Constitution.

14. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to complainant a temporary injunction as prayed, for the reason that the act of said defendants, acting as the Executive Council of the State of Iowa in certifying or utilizing as the value of Complainant's property for taxation purposes the sum of \$29,000 per mile while other railroads are assessed at a lesser proportion of their actual value, constitutes a discrimination against this Complainant, and denies to it the equal protection of the laws and takes from it its property without due process of law; for the reason that Complainant as a member of the class of persons owning a railroad property in the State of Iowa is discriminated against because the value of Complainant's property for taxation purposes is fixed at a higher per-

centage of its actual value than is other property of the same class.

15. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to Complainant temporary injunction as prayed, for the reason that the act of the defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of Complainant's property for the purpose of taxation the sum of \$29,000 per mile, constitutes a discrimination against this Complainant, for the reason that other railroads in the State of Iowa are assessed at a lesser proportion of the actual value of their respective properties, all as was shown by evidence adduced, and said court by so denying said injunction denies to this Complainant the equal protection of the law and takes from it its property without due process of law.

16. The said Court, so constituted under Section 266 of the Judicial Code, erred in denying to Complainant the temporary injunction as prayed, for the reason that the evidence adduced upon the trial shows that the act of said defendants, acting as the Executive Council of the State of Iowa, in certifying or utilizing as the value of Complainant's property for taxation purposes the sum of \$29,000 per mile constitutes a discrimination against this Complainant because of the fact that other railroads are assessed—a lesser proportion of their actual value, and by so denying said injunction it denies to this Complainant the equal protection of the laws and takes from it its property without due process of law, all contrary to the Fourteenth Amendment to the Constitution of the United States.

BRIEF.

JURISDICTION.

There being more than three thousand dollars in controversy, and a diversity of citizenship, the Court has jurisdiction.

A Court of Equity has jurisdiction to enjoin action looking to the enforcement of taxes upon the property of Complainant assessed under State authority, upon the ground of discrimination in value arising out of systematic undervaluation of other taxable property.

Green v. Louisville & Inter-Urban, 211 U. S., 499;
Louisville & Nashville vs. Green, 211 U. S., 522;
Illinois Central v. Green, 211 U. S., 555.

The Federal Court has jurisdiction of a controversy presented by a Bill which seeks to enjoin State officers from taking steps looking to the enforcement of taxes upon the property of Complainant assessed under State authority, upon the ground that the action of those officers in making those assessments will, if carried out, violate the Fourteenth Amendment, as denying the equal protection of the laws.

Green Cases, Supra.

The fact that the undervaluation of other classes of property results from the action of assessing boards different from that which assessed the property of Complainant does not deprive the Federal Courts of jurisdiction where the result is the outcome of systematic and persistent undervaluation by one body of officials, presumably known to and ignored by the other.

Green Cases, Supra.

ADEQUATE REMEDY AT LAW.

Inasmuch as the State law affords no opportunity for reviewing the action of the Executive Council for the purpose of determining whether or not the assessment is valid, there is no adequate remedy at law, even though there is provision for the recovery of taxes illegally collected.

Section 1117 of the Code of Iowa provides:

"The Board of Supervisors shall direct the Treasurer to refund to the taxpayer any tax or portion thereof found to have been erroneously or illegally exacted or paid, with all interest and costs actually paid thereon."

The foregoing Section is not applicable to the case of erroneous assessment made in the exercise of lawful authority. The only relief in such case is by application to the Board of Review.

Harris v. Fremont County, 63 Ia., 639.

It has also been held that the Board of Supervisors can order a refunding of taxes only by the Treasurer in office, not by a Treasurer who has gone out of office.

Eyerly v. Bd. of Sup., 81 Iowa, 189.

After payment of taxes, a portion of which are due and collectible, the taxpayer cannot maintain an action to recover back another portion erroneously assessed.

Kehe v. Blackhawk County, 125 Iowa, 549.

The remedy is by mandamus to require the Supervisors of the respective Counties in which the taxes are paid to direct a refund by the Treasurer.

Eyerly v. Jasper County, 72 Iowa, 149.

Therefore, there is no way provided by State Statute to recover the excess of taxes paid on an over-assessment, for if the determination of that question were open in a mandamus proceeding against the Supervisors contemplated by the foregoing Sections, it would require such proceedings to be instituted in 33 Counties, at the hazard of possible different results. Thus there is no remedy at all.

Wilson v. Ill. So., . . . U. S. . . ., 41 S. C. R. 203 decided Jan. 14, 1921.

CONSTITUTIONAL AND STATUTORY PROVISIONS.

Section 2 of Article VIII of the Constitution of Iowa provides—

"The property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."

Section 1305 of the Code Supplement of 1913 provides—

"All property subject to taxation shall be valued at its actual value, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this *chapter* shall mean its value in the market in the ordinary course of trade. This section shall not apply to special charter cities."

Section 1334, Code Supplement of 1913, which is included in the same Chapter as Section 1305, provides:

"Railway Companies — when made — verified Statement — when furnished. On the second Monday in July in each year, the Executive Council shall

assess all the property of each railway corporation in the state, excepting the lands, lots and other real estate belonging thereto not used in the operation of any railway, and excepting railway bridges across the Mississippi and Missouri Rivers, and excepting grain elevators; *and for the purpose of making such assessment* its president, vice president, general manager, general superintendent, receiver or such other officer as the council may designate, shall on or before the first day of April in each year, furnish it a verified statement, showing in detail, for the year ended December 31st, next preceding:

"1. The whole number of miles of railway owned, operated or leased by such corporation or company within and without the state;

"2. The whole number of miles of railway owned, operated or leased within the state, including double tracks and side tracks, the mileage of the main line and branch lines to be stated separately, and showing the number of miles of track in each county;

"3. A full and complete statement of the cost and actual present value of all buildings of every description owned by said railway company within the state not otherwise assessed;

"4. The total number of ties per mile used on all its tracks within the state;

"5. The weight of rails per yard in main line, double tracks and side tracks;

"6. The number of miles of telegraph lines owned and used within the state;

"7. The total number of engines and passenger, chair, dining, official, express, mail, baggage, freight and other cars, including hand cars and boarding cars used in constructing and repairing such railway, in use on its whole line, and the sleeping cars owned by it, and the number of each class on its line within state, each class to be valued separately;

"8. Any and all other movable property owned by said railway within the state, classified and scheduled in such manner as may be required by said council;

"9. The gross earnings of the entire road, and the gross earnings in this state;

"10. The operating expenses of the entire road, and the operating expenses within this state;

"11. The net earnings of the entire road, and the net earnings, within this state."

Section 1336, likewise included in the Chapter of which Section 1305 is a part, provides:

"Valuation. The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, road bed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January 1, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

Section 1339 of the Code of 1897 provides:

"Rate: All such railway property shall be taxable upon said assessment at the same rates, by the same officers, and for the same purpose as the property of individuals within such counties, cities, towns, townships and lesser taxing districts."

These Sections require equality of the burden of taxation.

Iowa Cent. Ry. v. Bd. of Sup., 176 Iowa, 131;
Union Pacific Ry. v. Council Bluffs, (Iowa) 175 N.
W., 7.

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7

Systematic undervaluation of farm lands and the knowledge of it upon the part of the Executive Council being established, indeed admitted, Complainant is entitled to an assessment of its property upon the same proportion of its value.

Iowa Cent. v. Bd. of Sup., 176 Iowa, 131;

Union Pac. Ry. v. Council Bluffs, (Iowa) 175 N. W., 7;

Green Cases—Supra;

Taylor v. Louisville & Nashville, 88 Fed., 350;

Louisville & Nashville v. Bosworth, 230 Fed., 191.

VALUE OF RAILWAY PROPERTY.

If the Executive Council in fixing the assessment departed from the mode prescribed by Statute or proceeded in disregard of the rights secured to the taxpayer by State law or Federal Constitution, it proceeded upon an erroneous principle.

Louisville & Nashville v. Green, 244 U. S., 522.

Complainant was entitled by State law to have earnings considered in determining value.

(a) The Statute, Sec. 1334-1913 Supp., required they be reported "for the purpose of making such assessment."

(b) They are recognized by the decisions of our Court as a necessary consideration.

Marshalltown L. P. & R. Co. v. Walker, 185 Iowa, 165;

City of Marion v. C., R. & M. Ry., 120 Iowa, 259.

The value of railway property is to be measured by the value of its use.

Monongahela Nav. Co. v. U. S., 118 U. S., 312;
Cleveland, Etc. Ry. v. Backus, 151 U. S., 139;
Adams Exp. Co. v. Ohio State Auditor, 166 U. S., 185;
Stevens v. Ottumwa C. I. & I. Co., 182 Iowa, 854;
Oregon, etc. Ry. v. Jackson County (Ore.), 61 Pac. 307;
Franklin Co. v. Nashville, etc. Ry., 12 La., 521;
L. & N. Ry. v. Greene, 241 U. S., 522;
State v. Central Pac., 10 N. W. 47;
Commonwealth v. Ledman, 106 S. W., 247;
Trustees v. Guenther, 19 Fed., 395;
L. & N. v. Coulter, 131 Fed., 282;
People, ex rel. v. Pond, 13 Abbotts New Cases, 1

The market value of stocks and bonds has also been approved as a measure of value.

Railroad Tax Cases, 92 U. S., 575;
L. & N. v. Coulter, 131 Fed., 282;
L. & N. v. Greene, 241 U. S., 522.

Hence, to fix an assessment as the actual value without giving due consideration to the earning capacity or market value of stocks and bonds is to proceed upon an erroneous principle.

L. & N. v. Greene, 241 U. S., 522.

The opinion of the lower Court held the showing insufficient solely on the assumption that the Executive Council may have taken cost (either estimated cost of reproduction or book cost) as the actual value in the ordinary course of trade.

In view of the undervaluation of farm lands to the extent stipulated, the assessment of the Council or the action of the Court cannot be justified except by utter

disregard of the well established and approved methods of determining value.

The lower court erred in holding that an intentional over-assessment of complainant's property must be shown as well as the habitual and systematic undervaluation of farm lands.

Taylor vs. Ry., Supra;
Greene Cases, Supra.

ARGUMENT.

JURISDICTION.

The jurisdiction in this case is founded upon the diversity of citizenship, Complainant being a citizen of Illinois and all the defendants citizens of Iowa, as well as upon the claim of the enforcement of a constitutional right.

We deem it unnecessary to spend any time in argument upon it. We take it to be settled by the *Greene* cases, 214 U. S., 499, 522 and 555, respectively, and is not questioned by counsel for appellees.

ADEQUATE REMEDY AT LAW.

There is no provision in the State Statute which affords an opportunity to a railway company to have reviewed the action of the Executive Council in fixing its value for the purpose of taxation; and while Section 1417 set forth in the Brief undertakes to authorize the Boards of Supervisors of the respective Counties to direct the Treasurer to refund taxes erroneously or illegally collected, there is no method provided by which the question of the erroneous or illegal exaction of taxes of a railway company may be determined.

Decisions of the Supreme Court of Iowa are also cited in the Brief, to the effect that the Section has no application when the taxes claimed to have been illegally paid are paid because of an erroneous assessment, nor can action be maintained to recover the portion paid on the excess over the proper assessment.

Kehe v. Blackhawk County, 125 Iowa, 549.

It also appears that the Complainant's line extends into thirty-three Counties. Taxes being paid in the respective Counties, thirty-three actions would have to be brought, and the question of the propriety of the assessment tried thirty-three times. This is no remedy at all.

Wilson vs. Ill. So., 44 Sup. Ct. Rep. 203, decided Jan. 14, 1921.

UNDERVALUATION OF FARM PROPERTY.

In the Statement and Abstract of the case, we have set forth the evidence which, without dispute, establishes the fact that for several years prior to the assessment in question of the Complainant's property, farm lands of the State had been assessed at varying percentages of their actual value; and for the purpose of the hearing in the Court below, it was stipulated that in the year 1922 the average assessed value of farm lands throughout the State was but 61.3% of their average actual value. There has been at no time any dispute of this claim, and, in fact, it was admitted upon oral argument, not only that farm lands had been underassessed, but that the respective members of the Executive Council had knowledge of the fact.

UNIFORMITY REQUIRED.

That this is a violation of the constitutional and statutory provisions of the State, appears from a brief examination of the constitutional and statutory provisions under which property is assessed for taxation.

Section 2 of Article VIII of the Constitution of Iowa provides that "the property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."

Section 1305 of the 1913 Supplement to the Code provides:

"All property subject to taxation shall be valued at its actual value * * *. Actual value of property as used in this *Chapter* shall mean its value on the market in the ordinary course of trade."

In this Chapter is included those Sections which relate to the assessment of farm lands, as well as to those which relate to the assessment of railways and other property.

Section 1336, a part of the Chapter in which 1305 is included, provides that "the property of railways shall be assessed at its actual value," and Section 1339 of the Code of 1897 provides:

"All such railway property shall be taxable upon said assessment at the same rates, by the same officers, and for the same purpose as the property of individuals within such counties, cities, towns, townships and lesser taxing districts."

These Sections require uniformity in taxation and equality of the burden.

In *Iowa Central R. Co. v. Board*, 176 Iowa, 131, which

was an appeal from the Board of Review fixing the value for taxation of a bridge across the Mississippi River, belonging to the appellant, it was claimed that the bridge was assessed at 66.73 per cent of its value, while lands which constitute 86.2 per cent in value of the total property assessed in the township in which the property under consideration was located, and other lands in the County, were assessed at 37.55 per cent of their true value, and that the taxable value of all property in the township and county was 40.6 per cent of true value.

In referring to the statutory and constitutional provisions, the Court said:

“And Article 8, Section 2, of the Constitution of Iowa, provides that the property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals. Other articles of the Constitution and the decisions of the courts are that taxes must be uniform, and must not be imposed alone or unequally upon particular individuals or classes. The paramount object which the law seeks to insure in distributing the burdens of taxation is equality; and, although the property of a taxpayer is assessed at less than its true value, nevertheless, if it is assessed higher proportionately than other property, he has a just cause of complaint.”

The Court ordered a reduction of the assessment to 40.6 per cent of the actual value of that part of the bridge which was taxable in Iowa. This language is quoted with approval in *Union Pacific Ry. vs. Council Bluffs*, 175 N. W. 7.

In as much therefore, as uniformity and equality of burden are required by state law, and that there has been a systematic undervaluation of farm lands, known to the Executive Council, the case falls within the rule announced in *Taylor vs. Ry.*, 88 Fed. 350, where it is said:

"If any board which is an essential part of the taxing system intentionally and therefore fraudulently violates the law by uniformly under-valuing certain classes of property, the assessment by other boards of other classes of property at the full value makes the whole assessment considered as one judgment, a fraud upon the fully assessed property, and this is true although the particular board assessing complainant's property may have been wholly free from fault or fraud or intentional discrimination."

This language was approved by the Supreme Court in *Greene v. Inter-urban*, 244 U. S., 449, and again in *Sioux City Bridge Company v. Dakota County*, 66 Law Ed., 343, decided January 2, 1923.

VALUATION OF RAILWAY PROPERTY.

Uniformity and equality being required, and the fact of intentional and systematic undervaluation of farm lands being proved without dispute, there remains for consideration only the question of whether or not the value of complainant's property as fixed by the Executive Council was a greater proportion of its actual value than the percentage of farm lands assessments to their value.

There is no record which discloses any finding by the Executive Council of actual value of Complainant's property, or any finding of the extent of undervaluation of farm lands. Nor did the Court below find as a fact the value of the railway. The effect of the opinion of the trial court was to refuse to investigate the question of the actual value of Complainant's property as appears from the following quotation from the opinion:

"On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the assessed value is 66 per cent plus if the figures of

the carrier be correct or 51 per cent plus if the figures of the respondents are right. Using the reports to the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50% is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40% thereof. Using this same method as to the value found in *Ex Parte* #71, the result is slightly above 40%.

We conclude, therefore, that the Council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this Complainant."

In other words, the Court found the showing insufficient to entitle the Complainant to a reduction of its assessment, because of the fact that the Council had before it the so-called tentative value of the Interstate Commerce Commission and the report of the carrier for the year 1921.

In the first place, it should be said that in the report to the Railroad Commission and the Executive Council for the year 1921, there is no basis for the statement that the system value is \$120,000,000.00, except that it appears therein that such is the par of the outstanding stocks and bonds and is the same figure used by the Commission in *Ex Parte* 71. (Record, page 149.)

The report to the Executive Council referred to appears in the Record as ~~Ex Parte~~ ^{Exhibit P} folio 500 — "Schedule Ten shows that the value of the system in Iowa is \$15,265,231"; and no place in the Record is there a statement that the value is \$120,000,000, except as that figure was used by the Interstate Commerce Commission in *Ex Parte* #71.

It may be said that the Court in denying the relief upon the grounds stated, in effect held that the Executive

Council was justified in using cost, either book cost or cost of reproduction, as the sole basis as the determination for the actual value in the ordinary course of trade.

But under the laws of the State the Complainant was entitled to have other matters considered.

First, Section 1334 of the 1913 Supplement to the Code, required a report to the Executive Council, which included net earnings. This report is required by the terms of the Statute "for the purpose of making such assessment."

Second, the decisions of the Supreme Court of Iowa recognize the necessity of the consideration of something other than cost for the purpose of determining value for taxation.

In the case of *City of Marion v. C., R. & M. Ry. Co.*, 120 Iowa, 259, there was involved the question of whether or not the city railway, assessed under a different section but subject to the mandate of Section 1395, should be determined by the value of its physical parts. The Court said:

"In such structure the materials have become the correlated and appropriate parts of a single, income-producing concern, having a value of its own by reason of its organization and use, which may be much more *or much less* than the original value of the materials entering into its construction."

And again—

"It is rather such value as fair and reasonable men, having knowledge of such matters, would place upon this mile of road as an integral part of the system to which it is attached; taking into due consideration its cost of construction, state of repair, *and capacity and efficiency* for the purposes of which it was created."

In *Marshalltown L. P. & R. Co. vs. Welker*, 185 Iowa, 165, the Supreme Court of Iowa in passing upon the question of what should be taken into consideration in determining value for the purpose of taxation said:

"The value of the business, its earning power, the size of its dividends, etc., must always be taken into consideration."

In the case of *Stevens v. Ottumwa Cold Storage & Ice Co.*, 182 Iowa, 851, in considering the question of the value of a particular piece of property said:

"The property was not a going concern. This, of itself, would greatly depreciate its market value as a whole. How much it would depreciate it would be, to some extent, a matter of guess work. If the property could be utilized advantageously, it could fairly be said to be worth approximately what it would cost to reproduce it. On this theory, the larger values were, perhaps, not greatly exaggerated. But the difficulty was to utilize it. *Its cost, therefore, was not a criterion of its value.* It was like a ship cast upon the land. It would cost as much to build it there as to build it anywhere. But its value in such a place could not be measured by the cost of building it there. And so this ship of the brewing company found itself in a dry place, and the question of value became largely a question of salvage."

This case was not a taxation case, but was the expression of the views of the Court upon the meaning of "market value," which term the legislature adopted in Section 1305 as the basis for the purpose of taxation.

So it would seem that under the laws of the State the actual value or value in the market in the ordinary course of trade cannot be determined without due consideration of the earning power of the property in question.

of the improvements upon it. The assessable value for taxation of a railroad track can only be determined by looking to the elements on which the financial condition of the company depends, its traffic as evidenced by its rolling stock and gross earnings in connection with its capital stock."

This Court also said in *L. & N. v. Greene*, 244 U. S., 522:

"In such cases there are at least two recognized methods known as the stock and bond plan and the capitalization of income plan."

In *Adams Express Co. v. Ohio State Auditor*, 166 U. S., 185, the Court said:

"Now it is a cardinal rule which should never be forgotten that whatever property is worth for purposes of income and sale it is also worth for purposes of taxation. The value which property bears in the market, the amount for which its stock can be bought and sold, is the real value. Business men do not pay cash for property in moonshine or dream-land. They buy and pay for that which is of value in its power to produce income or for purposes of sale."

The other cases cited under this heading of the Brief sustain this proposition.

In *Trustees vs. Guenther*, 19 Fed., 395, the Court said:

"To make the cost of a thing, especially a railroad, the measure of its value or even a chief constituent thereof is most fallacious * * *. Its cost may be looked to as an element entering into its value but not as its sole or even chief element. The earnings of a railroad, present and prospective, must form a most important ingredient in the estimation of its value."

The stock and bond plan has also had the approval of this Court as a method for the determination of value for the purpose of taxation. We have already referred to the language in the *Greene* case.

It was said in the *Railroad Tax Cases*, 92 U. S., 575:

“When you have ascertained the current cash value of the whole bonded debt and the current cash value of the entire number of shares, you have by the action of those who above all others can best estimate it, ascertained the true value of the road, all its property, its capital stock and its franchise, for these are all represented by the value of its bonded debt and by the shares of its capital stock.”

See also *L. & N. v. Coulter*, 131 Fed., 282.

It is very evident that the Executive Council in fixing the assessment of Complainant's property at \$29,000.00 per mile utterly disregarded the market value of its stocks and bonds, its earnings, and its history of unsuccessful operation. This must be so, for the assessment can be justified in no other way than to accept the cost of construction as the sole basis of value. There was nothing else before the Council indicating any such value. In so doing, it seems evident that “they proceeded in disregard of rights secured by the taxpayer” to have the net earnings taken into consideration for the purpose of determining the actual value. This Court said, in *L. & N. v. Greene, supra*:

“In this case there is no showing of fraud, the contention being that the Board departed from the mode provided by the Statute. If they did this, or if they proceeded in disregard of rights secured to the taxpayer by the State or Federal Constitutions, of course they proceeded upon an erroneous principle.”

The record discloses that a capitalization of the net income of the railroad for the five years preceding this assessment and ignoring the \$3,000,000 deficit from operations in 1920, would yield a value for the system of \$29,000,000 plus, whereas the assessment for Iowa alone is \$22,000,000.00 plus.

In the affidavit of witness Thorne, Exhibit O, there is disclosed the income of the system for ten years, in which there is, however, substituted the standard return during the years of Federal Control and guarantee period for the actual operating results, and without taking into account any inaccuracies in his compilation of the income so derived, capitalized at six per cent, would yield a value for the State of \$23,000,000.00 plus. If the equalizing factor (61.3) were applied, it would require an assessment of about \$14,000,000.00 instead of \$22,000,000.00.

The Great Western has never paid a dividend on its common stock, as the Record discloses. At the time of the hearing in the Court below, there had accumulated on its four per cent preferred stock since the year 1911, the year in which it became cumulative, unpaid dividends amounting to 25 per cent. The taxes paid in Iowa have at times in the past exceeded the net income within the State.

Not only this, but the Record discloses that for the year 1922 it was assessed at 75 per cent of the value of the North Western Railroad Company and over 80 per cent of the amount at which the Burlington Railroad is assessed. That the average earnings per mile of each of those lines for the five years immediately preceding 1922, were more than five times as much as the average earnings per mile of the Complainant. That each have double track lines across the State; that each have been

dividend paying Companies and each possess valuable terminals within the State. (Record, page 121.)

We mention these things not because we expect this Court to examine the Record on disputed questions of fact, nor to review any finding of fact of the lower Court upon disputed evidence; but for the purpose of showing how little dispute there actually was on the question of real value of Complainant's property, and for the purpose of showing that the action of the Council in fixing the assessment at \$29,000 per mile did proceed in disregard of the legal right of the Complainant, in that it failed to give due consideration to a factor that must, under the law of this State, always be considered in determining value of taxation,—the net earnings,—that in so doing it proceeded upon an erroneous principle.

They demonstrate, we think, the error of the opinion of the Court below, in denying the temporary injunction upon the ground that the Council could in good faith have fixed the assessment of the Complainant's property as it did, merely because the par of its stocks and bonds was \$120,000,000.00, when their actual average market value was \$35,000,000.00, or merely because the cost of reproducing the railroad and its equipment would be \$70,0000,000.00, when the evidence demonstrates that it will not earn an income on more than \$40,000,000.00.

These facts show that in all reasonable probability the Complainant would be able on final hearing to sustain the allegations of inequality and intentional discrimination.

The Court misconceived the principle applicable to the case at bar in assuming that an intentional overvaluation of Complainant's property was required to be proved, as well as the habitual and systematic undervaluation of other classes of property. The departure

from the requirements of the State law to assess all property at its actual value, which is shown by the long followed course of undervaluation of farm lands, entitles the Complainant to an assessment upon the same basis. No actual intention to injure Complainant need be shown. The failure to accord it the same treatment as owners of other classes of property were accorded constitutes the wrong on account of which Complainant is entitled to relief. The necessary intention to discriminate is to be found in the failure of the Council to take into account the known systematic undervaluation of other classes of property. This is the rule laid down in the *Taylor* case and the *Greene* cases. It is the mandate of the State law as declared in *Iowa Central v. Board*.

We respectfully urge that the exercise of sound discretion required the issue of a temporary injunction, and that the Order from which the appeal is taken should be reversed for that purpose upon such terms as to the Court may seem equitable.

Respectfully submitted,

CLIFFORD V. COX,

WM. F. RILEY,

DONALD EVANS,

Solicitors for Appellant.

FILED

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WM. R. STANBURY

CLERK

NO. 23.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1924.

CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Appellant,

vs.

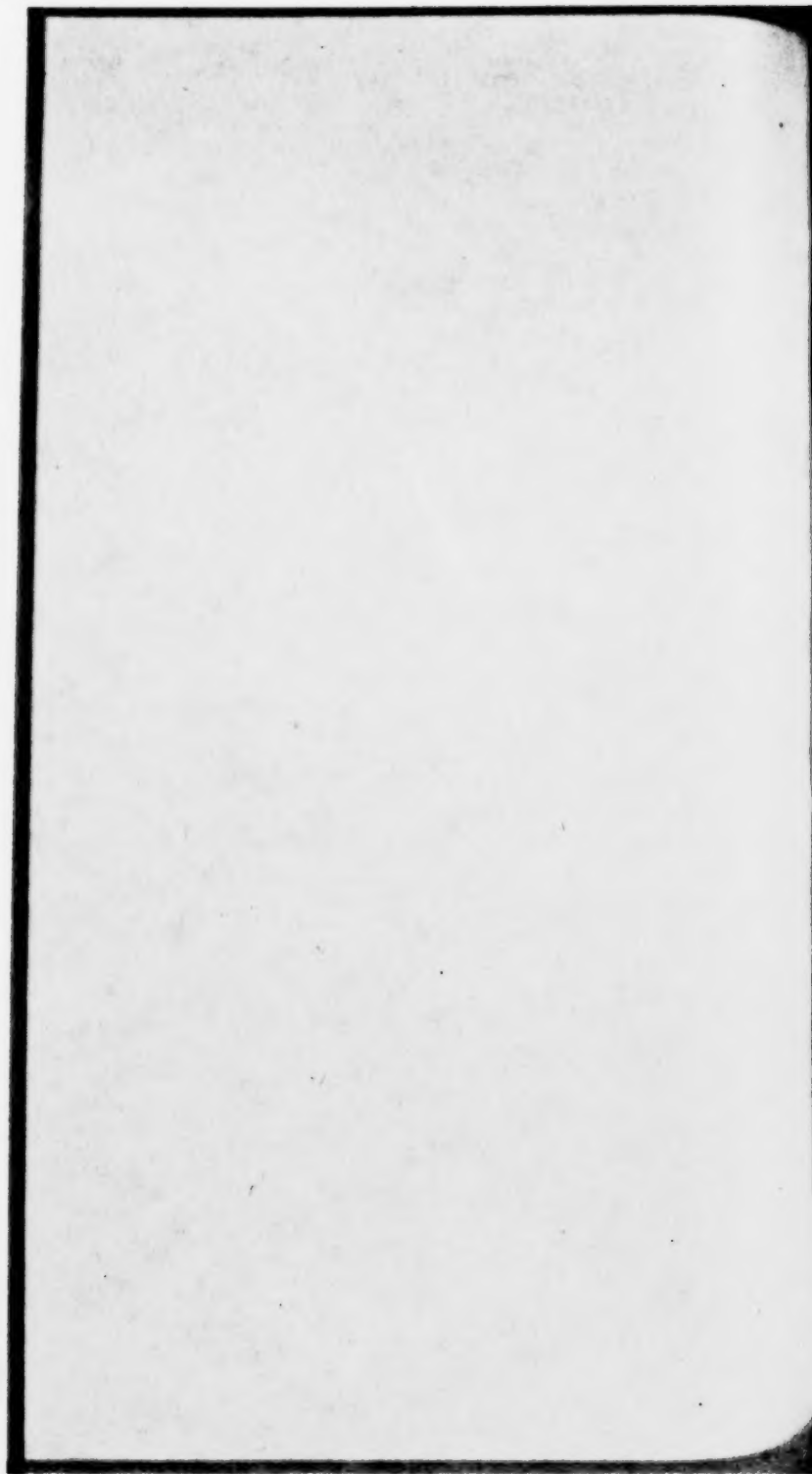
NATHAN E. KENDALL, GOVERNOR OF THE STATE OF IOWA;
WALTER C. RAMSAY, SECRETARY OF STATE OF IOWA;
GLENN C. HAYNES, AUDITOR OF THE STATE
OF IOWA, Et AL., *Appellees.*

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE SOUTHERN DISTRICT OF IOWA.

BRIEF FOR APPELLANT.

J. G. GAMBLE,
Counsel for Appellant.

W. F. DICKINSON,
W. F. PETER,
R. L. READ,
Of Counsel.



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IN THE
Supreme Court of the United States

OCTOBER TERM, 1924.

NO. 23.

CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Appellant,

VS.

NATHAN E. KENDALL, GOVERNOR OF THE STATE OF IOWA;
WALTER C. RAMSAY, SECRETARY OF STATE OF IOWA;
GLENN C. HAYNES, AUDITOR OF THE STATE
OF IOWA, ET AL., *Appellees.*

BRIEF FOR APPELLANT.

This is an appeal direct to this Court under Section 266 of the Judicial Code from the order of the United States District Court, for the Southern District of Iowa, constituted of three Judges for the hearing of the application, denying the application of appellant here for an interlocutory injunction.

STATEMENT OF THE PLEADINGS.

On July 27th, 1922, appellant (hereinafter called complainant), filed its bill in the United States District Court, for the Southern District of Iowa, Central Division, making as defendants thereto, Nathan E. Kendall, individually and as Governor of the State of Iowa, Walter C. Ramsay, individually and as Secretary of State of the State of Iowa, Glenn C. Haynes, individually and as Auditor of State of the State of Iowa, W. J. Burbank, in-

dividually and as Treasurer of State of the State of Iowa, and R. E. Johnson, individually, and as Secretary of the Executive Council of the State of Iowa.

The bill filed sought to enjoin the said Kendall, Ramsay, Haynes and Burbank, and each of them individually, and as members of the Executive Council of the State of Iowa, from apportioning to any of the Auditors of any of the Counties in the State of Iowa, or to any other taxing district in the State of Iowa, an alleged assessment of the property of the complainant exclusively used in the operation of its railway in said state, which said assessment had been fixed by said Executive Council at the sum of \$30,400.00 per mile, or in the aggregate sum of \$66,950,984.00, and to enjoin the said Johnson, individually, and as Secretary of the Executive Council, from certifying to the said County Auditors, or any of them, or any officers of the Counties into or through which the line of railroad of complainant extended, any of the aforesaid alleged assessments.

It charged that the authorities in said state who were delegated with the duty of fixing the assessments of property for the purposes of taxation during the year 1922, and for many years prior thereto, habitually, intentionally, systematically and generally assessed farm lands at a rate far under the real value of such lands in the market thereof in the usual course of trade; that the farm lands in Iowa comprised a substantial proportion of the value of the entire property in the state subject to assessment and taxation generally; that such systematic assessment of such farm lands under the real value thereof was a matter of public notoriety, and such fact was known to the said defendants at and prior to the time of the making of the assessment by them of the property of complainant in the year 1922, but that not-

withstanding such knowledge the said defendants knowingly and intentionally, and over the protest and objections of the complainant, fixed its assessment at the sum of \$30,400.00 per mile, or at substantially 75% of its real value.

The complainant at the time of filing its bill made application for an interlocutory injunction under Section 266 of the Judicial Code. The District Judge called to his assistance to hear the application Hon. Kimbrough Stone, United States Circuit Judge, and Hon. Thomas C. Munger, United States District Judge, for the District of Nebraska. On October 23, 1922, the three Judge Court assembled and the defendants through the Attorney General of Iowa filed a resistance to the application of complainant for an interlocutory injunction, by which resistance it was claimed that the suit was against the State of Iowa, without its consent, that the court had no jurisdiction over the controversy or the defendants named; that complainant had a full, complete and adequate remedy at law; that there was no equity in the bill; that the bill sought to review, interfere with and control the exercise of the judgment, discretion and power reposed in the defendants by the laws of Iowa; that the bill on its face showed that the property of complainant had been assessed for taxation at less than its actual value, and at less than the statutes of the State of Iowa required, and therefore complainant had no just grounds for complaint; that the decisions of officers and tribunals specially created and charged by the laws of the State of Iowa with the duty of valuing property for taxation, and equalizing such valuation, are final and conclusive; that the bill presented only the complaint of an individual taxpayer, that its property had been assessed by the Executive Council of Iowa at a relatively greater valuation than a

certain other general class of property, namely, farm lands; that farm lands constitute approximately 51 per cent of the total assessed property of the state; that complainant's property constitutes less than 1 per cent thereof; that other large classes of property have been assessed substantially 100 per cent of their value, and that to grant relief in this case would work an irreparable injury to such other classes of property; that the Executive Council acted in good faith and without fraud in the fixing of the value of complainant's property.

Beginning October 23, 1922, the application for interlocutory injunction was heard by the three Judge Court.

On October 30, 1922, the three Judge Court announced that it would enter an order denying the application of complainant for a temporary injunction, and would file a memorandum opinion in said cause. Such order, however, was not filed until November 10, 1922, and in the interim complainant moved that such order contain a provision suspending its effective date until an appeal to this court might be disposed of. Such motion having been overruled, the Court on November 10, 1922, filed its opinion (Trans. Pages 14 to 30), and on said date complainant filed its petition for allowance of appeal with assignment of errors and its application for supersedeas pending appeal, and for an order staying the proceedings pending such appeal.

The appeal having been allowed, as well as the application for supersedeas and stay having been sustained, the court entered its order on December 5th restraining the defendants, pending this appeal, from certifying to the Auditors of the various Counties any portion of the assessment of complainant's property, or from using any other assessed value of the property of complainant in

excess of \$27,968.00 per mile on condition that complainant should file bond, which was done.

The appeal was duly lodged in this court, an order enlarging the time for docketing said appeal having been in due time entered.

By stipulation of the parties hearing of this appeal was continued over the October, 1923, Term.

STATEMENT OF THE CASE.

Section 1305, Iowa Code Supplement 1913, which is included in Chapter 1, Title 7, of that Code relating to assessment of taxes, provides:

"All property subject to taxation shall be valued at its actual value, which shall be entered opposite each item and shall be assessed at twenty-five per cent of such actual value, such assessed value shall be taken and considered as the taxable value of such property upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade. This section shall not apply to special charter cities."

Section 1336, Code of Iowa 1897, concerning the assessment of railroad property which likewise is included in Chapter 1, Title 7, of the Code relating to assessment of taxes, provides:

"The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In as-

sessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January first, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

Sections 1334, 1334-a-b and c of the Iowa Code Supplement 1913, Section 1335 of the Code of Iowa of 1897, Sections 1337, 1337 a and b of the Iowa Code Supplement, 1913, and Sections 1338, 1339 and 1342 of the Code of Iowa of 1897, all relate to furnishing of information in connection with the assessment of property exclusively used in the operation of railways as well as the spreading of such assessment and rate of tax to be levied thereon.*

Farm lands and certain other species of property are originally assessed by local assessors in the several taxing districts of the State, such assessments being subject to review by special statutory tribunals. (Sections 1350, 1352, 1354, 1356 and 1370, Code of Iowa, 1897.) Real estate, however, is required by the statutes to be listed and valued in each odd numbered year, and in each year in which real estate is not regularly assessed the assessor shall list and assess any real property not included in the previous assessment, and also any building erected since the previous assessment. The assessment of farm lands or real property is, however, subject

*For the convenience of the court in the appendix hereto the sections of the Iowa Statutes referred to are set out in full.

excess of \$27,968.00 per mile on condition that complainant should file bond, which was done.

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Sections 1331, 1331-a-b and c of the Iowa Code Supplement 1913, Section 1335 of the Code of Iowa of 1897, Sections 1337, 1337 a and b of the Iowa Code Supplement, 1913, and Sections 1338, 1339 and 1342 of the Code of Iowa of 1897, all relate to furnishing of information in connection with the assessment of property exclusively used in the operation of railways as well as the spreading of such assessment and rate of tax to be levied thereon.*

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*For the convenience of the court in the appendix hereto the sections of the Iowa Statutes referred to are set out in full.

to the requirements of Section 1305, Iowa Code Supplement 1913, that the same be valued at actual value as therein defined.

Upon the hearing it was stipulated that in lieu of the introduction of evidence that the market value of farm lands as contemplated by Section 1305 of the Code of Iowa of 1897 on January 1, 1922, and August 1, 1922, was on the average \$125.00 per acre. (Trans. Page 13.) The assessment of such farm lands for the years 1921 and 1922 was upon the average at the rate of \$76.63 (Affidavit of A. B. Howland, Trans. P. 121, and Exhibit "C" thereto, P. 127.)

Upon the hearing there was introduced in evidence as complainant's Exhibit "1" (Trans. P. 49 to 79) the report of the Special Tax Commission appointed by the Governor of Iowa under the provisions of Chapter 204 of the Acts of the 34th General Assembly of Iowa, such report being dated October 8, 1912, and in and by which report it is shown that said Commission found that in 1911 there was "a very decided under assessment of farm lands, and also substantial inequalities in the average assessed value of this class of property as between various counties of the state," and further found that the Executive Council of Iowa in 1909 ascertained that farm lands had been assessed for less than half their then present actual value. There was also offered on the hearing as complainant's Exhibit "2" a bulletin of the Department of Commerce, Bureau of the Census of the United States, by which the value of farm lands in Iowa on January 1, 1920, per acre on the average was shown to be for land and buildings \$227.09, and for land alone \$199.52 (Trans. P. 87), whereas such lands in 1919 and 1920 were valued for assessment on the average at the rate of \$75.64 per acre (Trans. P. 122 and 125.)

There was also introduced as complainant's Exhibit "3" No. 871 issued by the United States Department of Agriculture, concerning farm land values in Iowa, by which it was disclosed that the average value per acre of farm lands in Iowa in 1920 was \$255.00 and 1919 was \$192.00. (Trans. P. 93.) It was further shown by the affidavit of A. H. Davidson, who was Secretary of the Executive Council of Iowa from 1899 to 1917, that in 1919 pursuant to statutory authority the Executive Council of Iowa caused an investigation to be made from which it was disclosed that the average value of farm lands was \$161.09, whereas the average assessment thereof during said year was \$75.61 per acre, and that such information was contained in the records of the Executive Council of Iowa. (Trans. P. 97 and 99.) It was further shown that the individuals comprising the Executive Council of the State of Iowa in the years 1919 and 1917 knew that the assessed value of farm lands as equalized by the Executive Council did not exceed 50 per cent of the actual value of farm lands. (See Complainant's Exhibits 7, 8 and 9, Trans. P. 117 to 121.)

Extensive compilations gathered from the public records of the sales of farm lands as well as the assessments of farm lands in each of the years 1916 to 1920 inclusive were disclosed by complainant's Exhibits 5 and 6 (Trans. P. 101 to 117), and show that the assessment of farm lands was at a rate greatly less than the actual value of such lands in each of said years.

Section 1331 of the Iowa Code Supplement of 1913 provides that for the purpose of making the assessment of railway property the officers of each railway shall furnish to the Executive Council verified statements disclosing for the year ended December 31st next preceding, the following information:

"1. The whole number of miles of railway owned, operated or leased by such corporation or company within and without the state;

"2. The whole number of miles of railway owned, operated or leased within the state, including double tracks and side tracks, the mileage of the main line and branch lines to be stated separately, and showing the number of miles of track in each county;

"3. A full and complete statement of the cost and actual present value of all buildings of every description owned by said railway company within the state not otherwise assessed;

"4. The total number of ties per mile used on all its tracks within the state;

"5. The weight of rails per yard in main line, double tracks and side tracks;

"6. The number of miles of telegraph lines owned and used within the state;

"7. The total number of engines, and passenger, chair, dining, official, express, mail, baggage, freight and other cars, including hand cars and boarding cars used in constructing and repairing such railway, in use on its whole line, and the sleeping cars owned by it, and the number of each class on its line within the state, each class to be valued separately;

"8. Any and all other movable property owned by said railway within the state, classified and scheduled in such manner as may be required by said council;

"9. The gross earnings of the entire road, and the gross earnings in this state;

"10. The operating expenses of the entire road, and the operating expenses within this state;

"11. The net earnings of the entire road, and the net earnings, within this state."

Section 1334-a, Code Supplement of 1913, requires a report of the amount of real estate owned or used by each railway company for railway purposes.

Section 1335, Code of Iowa of 1897, relates to the determination of operating expenses as the same shall be reported.

Section 1340-a, Code Supplement of 1913, relates to the determination of gross earnings and provides for such determination upon a straight mileage prorate of earnings upon inter and trans-state movements.

Upon the hearing the complainant presented as its Exhibit "11", the affidavit of A. Hermany with the exhibits thereto attached, which computed the value of complainant's property as a whole upon six bases:

1st. The par value of the stocks and bonds of complainant on the average for the period of five years ended June 30, 1922.

2nd. The market value of its stocks and bonds upon the average for the same period.

3rd. The net railway operating income of complainant capitalized at 6% on the average for the same period.

4th. The net operating railway income of complainant capitalized at 7% on the average for the same period.

5th. The annual rental paid by the government for complainant's property during the Federal Control and the guaranty period capitalized at 6%.

6th. The value of the entire line as represented by property investment shown in the proceeding as *Ex Parte* 74 as of October 31, 1919.

In the first five of these instances the values were determined on the bases described for the system property of complainant, and were allocated to the State of Iowa upon six bases, namely: railway operating revenues, net revenue from railway operations, miles of road operated, miles of all track operated, transportation train miles, and traffic units. The formulae employed in the determination of such value is set forth in

considerable detail in complainant's Exhibit "11". (Trans. P. 131 to 135.) By Exhibit "6" to complainant's Exhibit "11" is shown an assignment of value as represented by property investment shown in *Ex Parte* 74 on the basis of composite transportation miles, and discloses a value of complainant's property in the State of Iowa of \$87,293,151.00.

Railway operating revenues, one of the bases used for the allocation of value to the State of Iowa is defined (Trans. P. 131), and is equivalent of gross revenue. Complainant's Exhibit "12", (Trans. 145 to 157) constitutes a complete transcript of the hearing before the Executive Council of Iowa previous to the making of the assessment involved.

The value of the entire property of complainant as represented by the par value of its stocks and bonds on the average for the five years ended June 30, 1922, was \$349,047,318.00. This value apportioned to the State of Iowa on the average of the six bases heretofore described was \$81,624,987.00. The complainant's property was assessed \$66,950,984.00. Upon this basis of value the assessment was 81.09 per cent of actual value.

The value of the entire property of complainant as represented by the par value of its stocks and bonds on the average for the five years ended June 30, 1922, was \$349,047,318.00. This value apportioned to the State of Iowa on the basis of gross revenue, or railway operating revenue, for the year 1922, was \$78,500,741.00. Upon this basis the assessment was 85.2 per cent of actual value. (Exhibit 1 to Exhibit 11, following Trans. 136.)

The value of the entire property of complainant as represented by the par value of its stocks and bonds for the year ended June 30, 1922, was \$370,836,650.00. This value apportioned to the State of Iowa on the basis of

railway operating revenues or gross revenues was \$83,401,162.00. Upon this basis the assessment was 80.2 per cent of the actual value. (Exhibit 1 to Exhibit 11, following Trans. 136.)

The value of the entire property of complainant as represented by the market value of its stocks and bonds on the average for the five years ended June 30, 1922, was \$225,359,823.00. This value apportioned to the State of Iowa on the average of the six bases heretofore described was \$52,705,346.00. Upon this basis of value the assessment was 127 per cent of actual value.

The value of the entire property of complainant as represented by the market value of its stocks and bonds on the average for the five years ended June 30, 1922, was \$225,359,823.00. This value apportioned to the State of Iowa on the basis of gross revenue or railway operating revenue for the year 1922, was \$50,683,424.00. Upon this basis the assessment was 132 per cent of actual value.

The value of the entire property of complainant as represented by the market value of its stocks and bonds for the year ended June 30, 1922, was \$262,880,695.00. This value apportioned to the State of Iowa on the basis of railway operating revenues or gross revenues was \$59,121,868.00. Upon this basis the assessment was 113 per cent of the actual value. (Exhibit 2 to Exhibit 11, following Trans. 136.)

The value of the entire property of complainant as represented by its railway operating income capitalized at six per cent on the average for five years ended June 30, 1922, was \$141,128,255.00. This value apportioned to the State of Iowa on the average of the six bases heretofore described was \$33,461,037.00. Upon this basis of value the assessment was 200 per cent of actual value.

The value of the entire property of complainant as represented by its net railway operating income capitalized at six per cent on the average for the five years ended June 30, 1922, was \$111,128,255.00. This value apportioned to the State of Iowa on the basis of gross revenue or railway operating revenue for the year ended June 30, 1922, was \$31,739,711.00. Upon this basis the assessment was 210 per cent of actual value.

The value of the entire property of complainant as represented by its net railway operating income capitalized at six per cent for the year ended June 30, 1922, was \$248,234,987.00. This value apportioned to the State of Iowa on the basis of railway operating revenues or gross revenues was \$55,828,048.00. Upon this basis the assessment was 119 per cent of actual value. (Exhibit 3 to Exhibit 11 following transcript 136.)

The value of the entire property of the complainant as represented by the annual rental paid by the government during federal control and the guaranty period capitalized at six per cent on the average for the two years ended June 30, 1920, was \$215,899,805.00. This value apportioned to the State of Iowa on the average of the six bases heretofore described was \$57,954,486.00. Upon this basis of value the assessment was 115 per cent of actual value.

The value of the entire property of complainant as represented by the annual rental paid by the government during federal control and the guaranty period capitalized at six per cent on the average for the two years ended June 30, 1920, was \$215,899,805.00. This value apportioned to the State of Iowa on the basis of gross revenue or railway operating revenue for the year ended June 30, 1922, was \$55,302,866.00. Upon this basis

the assessment was 120 per cent of the actual value. (Exhibit 5 to Exhibit 11 following transcript 136.)

The defendants presented exhibits showing assessed value of the complainant's property during each of the years 1913 to 1922 inclusive (Trans. 176); certain correspondence between the Board of Railroad Commissioners of Iowa asking the value of the investment in road and equipment as furnished to the Bureau of Valuation of the Interstate Commerce Commission and response thereto (Trans. 177); a statement showing assessed value of all farm lands (180), assessed value of town lots (181), assessed value of bank stock (182), assessed value of live stock (182), assessed value of transmission lines (183), assessed value of telegraph and telephone (183), assessed value of express property (184), assessed value of all other property including moneys and credits, excluding railroad property and farm lands (184), assessed value of railroad property (185), assessed value of all property except farm land and railroad property (185), assessed value of all property except railroad property (186), assessed value of all property including railroad property (187), a statement of the Chairman of the Board of Directors to the stockholders of the complainant dated January 7, 1922, relating to the tentative valuation of complainant's property made by the Bureau of Valuation of the Interstate Commerce Commission (187), the protest of complainant filed to the tentative valuation made by said Bureau (193), the annual report of the complainant made to the Executive Council of the State of Iowa for the year ended December 31, 1921, (206 to 214), Exhibit "8" presented by complainant to the Executive Council of the State of Iowa constituting an analysis of the interstate commerce commission's tentative valuation of complainant's property (215), compilations of ex-

penditures for road and equipment during the years from June 30, 1914, to December 31, 1921, and similar compilations for mileage statistics (223), exhibits based upon the tentative valuation of complainant's property by the Interstate Commerce Commission and undertaking to allocate unallocated property on the basis of the percentage of allocated property in Iowa to allocated property of complainant outside of Iowa, (Trans. 224 to 228), an affidavit of Clifford Thorne undertaking to determine value of the physical properties of complainant plus alleged franchise or intangible value (229 to 292), and similar computations disclosed by the affidavits of Neill Garrett (292 to 299), as well as statistics concerning operating ratio of all lines reporting to the Iowa Railroad Commission, and an undertaking to apply such operating ratios to determine the net operating revenue of complainant, statement of L. E. Wettling in *Ex Parte* 74, showing property investment of Chicago, Rock Island and Pacific lines in that proceeding (302), affidavit of E. G. Nourse concerning earnings on farms (303 to 313), a copy of the tentative valuation of complainant's property made by the Bureau of Valuation of the Interstate Commerce Commission (314 to 458).

The so-called final value included in the tentative valuation of all of complainant's property devoted to common carrier purposes approximated \$322,277,596.00 (356). The total amount of the property of complainant unallocated to any state included in said report for complainant's entire line approximated \$51,411,344.00 (345). The total value of allocated property for the entire system therefore was shown by said report to be \$270,866,252.00. The total engineering property allocated to Iowa in said tentative valuation was shown to be \$58,569,838.00 (342). The total land value in Iowa, present value, includ-

ing non-carrier lands and non-carrier structures on carrier lands was shown to be in said tentative valuation \$10,783,274.96, and such value including non-carrier lands and non-carrier structures on carrier lands was \$11,291,972.16, so that the total allocated property in Iowa equalled \$69,861,810.16, or 25.79 per cent of all allocated property (Trans. 159). Determining the value of unallocated property on the basis of the percentage of allocated property would add \$13,258,985.61, making the total valuation of complainant's property allocated and computed unallocated in Iowa \$83,120,795.77 (Trans. 159).

There was introduced in evidence the protest filed with the Interstate Commerce Commission, Bureau of Valuation, to the tentative valuation report upon complainant's property by both complainant and the State of Iowa.

ASSIGNMENT OF ERRORS (31-166).

The Court erred:

- (1) In denying to complainant the relief prayed for.
- (2) In denying to complainant a temporary injunction restraining the defendants from certifying an illegal assessment of its property for the purpose of taxation.
- (3) In denying to complainant a temporary injunction as prayed for, for the reason that the use of certification of the assessment made by the Executive Council of the State of Iowa of the property of complainant for the purpose of taxation results in an illegal discrimination as against the complainant, and is therefore illegal and void.
- (4) In denying to complainant the temporary injunction prayed for, for the reason that under the evi-

dence adduced it was clearly shown that in all reasonable probability the complainant could and would sustain the allegation or allegations of its bill upon final hearing.

(5) In denying to complainant the temporary injunction prayed for under the evidence did not indulge a reasonable discretion.

(6) That the denial by the said court, so constituted under Section 266 of the Judicial Code, of a temporary injunction to complainant as prayed for, constituted an abuse of discretion.

(7) For the reason that the evidence adduced by complainant fully met the burden of proof imposed upon it by law.

(8) In denying to complainant a temporary injunction for the reason that the purported assessment if certified and utilized by defendants in the further steps provided by the statutes of the State of Iowa for the levying of taxes, will deprive complainant of its property without due process of law, and will deny to complainant the equal protection of the law, all contrary to and in violation of the Fourteenth Amendment to the Constitution of the United States.

(9) In denying to complainant a temporary injunction for the reason that the purported assessment, if certified and utilized by defendants in the further steps provided by the statutes of the State, for the levying of taxes, will impose upon this complainant an undue and discriminatory portion of the tax burdens of the State contrary to the provisions of the Constitution of the State of Iowa, and particularly Section 6 of Article 1, and Section 2 of Article 8, of said Constitution, and contrary to the Fourteenth Amendment to the Constitution of the United States.

(10) In denying to this complainant a temporary injunction as prayed for the reason that complainant in order to avail itself of its rights under the law will be compelled to resort to many actions at law or in equity, and will be subjected to a multiplicity of suits.

(11) In denying to this complainant a temporary injunction as prayed for the reason that the actions of defendants in certifying or utilizing as the assessed value of complainant's property the sum of \$30,400.00 per mile is violative of the provisions of Article VIII, Section 2 of the Constitution of the State of Iowa, and of Sections 1305, 1334, 1335 and 1336, of the Code of Iowa of 1897, as amended.

(12) In denying to this complainant a temporary injunction as prayed, for the reason that the act of defendants in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$30,400.00 per mile, denies to this complainant the equal protection of the laws and is therefore contrary to and in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

(13) In denying to this complainant a temporary injunction as prayed for the reason that by so doing the act of the defendants, so constituting the Executive Council of the State of Iowa, in certifying or utilizing as the assessment of the property of this complainant for the purpose of taxation the sum of \$30,400.00 per mile is construed to be in accordance with Sections 1305, 1334, 1335, 1336, 1378, 1379 and 1382 of the Code of Iowa, as amended, and said sections when so construed are unconstitutional and void and contrary to and in contravention of the Fourteenth Amendment to the United States Constitution.

BRIEF OF THE ARGUMENT.

JURISDICTION.

The amount involved being in excess of \$3,000.00, the claim of violation of rights under the Federal Constitution being in good faith, the showing being that a multiplicity of suits will result, that there is no adequate remedy at law; that a cloud will rest upon the title to complainant's property unless defendants are restrained as prayed for invests the court with jurisdiction.

Greene vs. L. & I. R. R. Co., 244 U. S. 499;

Greene vs. L. & N. R. R. Co., 244 U. S. 522;

Raymond vs. Chicago Union Traction Co., 207 U. S. 20;

C. M. & St. P. Ry. Co. vs. Kendall, et al., 278 Fed. 298;

Taylor vs. L. & N. R. R. Co., 88 Fed. 350.

Complainant has no Adequate Remedy at Law.

Section 1417 of the Code of Iowa provides:

"The Board of Supervisors shall direct the Treasurer to refund to the taxpayer any tax, or portion thereof, found to have been erroneously or illegally exacted or paid, with all interest and costs actually paid thereon."

But this section is not applicable to the case of erroneous assessment made in the exercise of legal authority.

Harris vs. Fremont County, 63 Iowa, 639.

And such order may only be directed to the Treasurer in office.

Eyerly vs. Board of Supervisors, 81 Iowa, 189.

The statutes of Iowa are clear that the ultimate aim and requirement is that property, whether farm lands or railroad property, shall be assessed at full actual value.

Section 1305, Iowa Code Supplement 1913, and section 1336, Iowa Code of 1897.

The rate of taxation applicable to each of these classes of property is the same so that inequality of assessment results in inequality of taxation.

Section 1339, Code of Iowa of 1897.

Intentional, continuous and systematic assessment of farm lands comprising a substantial portion of the taxable property in Iowa at less than actual value being established, indeed admitted, complainant is entitled to have the assessment of its property based upon the same proportion of its actual value.

Iowa Cent. R. Co. vs. Board of Supervisors, 176 Iowa, 131;

Taylor vs. L. & N., Supra;

Green vs. L. & I. R. Co., Supra;

L. & N. R. Co. vs. Greene, Supra.

If the Executive Council in fixing the assessment of complainant's property proceeded in disregard of the provisions of the state statutes with respect thereto, then it proceeded upon a fundamentally erroneous principle.

L. & N. R. Co. vs. Greene, Supra.

Complainant was entitled by state statute to have earnings considered in determining its value.

Section 1334, Supplement to Code of Iowa, 1913;

Section 1336, Code of Iowa of 1897.

Earnings both gross and net are recognized by the decisions of the Iowa Supreme Court as not only proper but necessary considerations in the determination of value.

Marshalltown, etc. Co. vs. Wilker, 185 Iowa, 165;

City of Marion vs. C. R. & M. Ry., 120 Iowa, 259.

The value of stocks and bonds and the capitalization of income are recognized methods entitled to weight in the determination of the value of railroad property.

L. & N. R. Co. vs. Greene, 244 U. S. 522;

L. & N. R. Co. vs. Coulter, 131 Fed. 282;

Railroad Tax Cases, 92 U. S. 575.

The value of railway property is to be measured by the value of its use.

Monongahela Nav. Co. vs. U. S., 148 U. S. 312;

Cleveland, etc. Ry. vs. Backus, 154 U. S. 439;

Adams Exp. Co. vs. Ohio State Auditor, 166 U. S. 185.

ARGUMENT.

JURISDICTION.

The principles governing the invocation of the jurisdiction of Federal Courts in cases of the character here involved have been so firmly established and often stated by this court that we deem it unnecessary to do more than call to the Court's attention the cases cited in the brief of the argument herein, as well as the facts disclosed by the statement of the case. It is most assuredly shown that there exists in this instance substantial and ample grounds for the exercise of jurisdiction by the court, and indeed the lower court so held.

In the resistance to complainant's application for a temporary injunction the defendants asserted the existence of an adequate remedy at law to which it was claimed the complainant should be remitted, but the fact, even if it may be conceded for the purpose of argument, that complainant might maintain separate actions in the several counties against the county officials to recover a

portion of the taxes when paid, would not afford an adequate remedy under the express and direct holding of this court in the recent case of *Wilson vs. Illinois Southern*, . . . U. S. . . ., so that we pass the question of jurisdiction with no further comment.

THE INTENTIONAL, HABITUAL AND CONTINUOUS UNDERASSESSMENT OF FARM LANDS WAS ESTABLISHED ON THE HEARING.

The measure of the assessments of farm lands, and many other classes of property prescribed by the Iowa Statutes is not a matter of doubt. Such assessments are required to be at actual value, and actual value is defined to be value in the market in the ordinary course of trade. Section 1305, Supplement to Iowa Code, 1913.

Under the Iowa Statutes assessments of farm lands are made originally by local assessors. Statutory procedure is provided for the review of such assessments. Likewise the statutes provide for tribunals whose duty it is to equalize such assessments as between taxing districts and in the State at large. But after all of the various steps had been taken throughout a period of many years it is established by the proof in this record that there existed a state wide, continuous, habitual and substantial undervaluation of such farm lands, the extent of the undervaluation varying to some extent from year to year. We say that this result is established by the proof. The proof has been referred to in more or less detail in the statement of the facts herein, but it consists in the main of public documents, official admissions, testimony of members of the Executive Council of the State in years previous to that involved in this case, and direct and circumstantial evidence from private and public

sources, all unimpeached. Indeed a comparison of the evidence in this case with the reported decision of this court in *L. & N. vs. Greene*, 244 U. S. 522, and of the lower court, from which that appeal was taken, at 230 Fed. 227, will demonstrate the striking similarity of the evidence here and there, and the existence of a systematic and intentional undervaluation of farm lands. Indeed we think it necessary only to recall to this court its language in *L. & N. vs. Greene*, 244 U. S. at page 531, where it is said:

"It is contended by the defendants that the evidence was insufficient to warrant the conclusion of the learned district judge that in fact property in general in the State of Kentucky was systematically undervalued. A similar question of fact was involved in *Coulter vs. Louisville & N. R. Co.*, and this court (p. 609) held the evidence to be insufficient. In the present case, besides much to the same effect as that presented in the *Coulter* case, a mass of additional evidence was introduced, including extracts from the United States census report for the year 1910, reports of the State Board of Equalization for the years, 1910, 1911, 1912 and 1913; report of the State Tax Commission of 1913; testimony of a member of the State Board of Equalization who served in the years 1908 to 1911, inclusive; affidavits of nearly 200 individuals from 47 counties; in different parts of the state; and much besides. The evidence is too voluminous to be adequately reviewed within reasonable limits of space, and we content ourselves with saying that it comprises a body of official admissions and direct and circumstantial evidence from private and public sources that are unimpeached, fully sustaining the finding of the trial court that the great mass of property in the state, so far as assessed by the county assessors under the review of the county boards of supervisors and the State Board of Equalization,—and this embraces all tangible property except railroad property and distilled spirits,—during a period of years prior to and in-

cluding the year 1913, was intentionally, systematically, and notoriously assessed far below its actual value, and at certainly not exceeding 60 per cent of its fair cash value. There is little to the contract except the general presumptions arising from the statutory duty of assessors to assess at fair cash value and from the oath customarily required of individual taxpayers, and a large number of stereotyped affidavits made by former assessors to the effect that they endeavored to follow the law and assess all property at its fair cash value, and if any property was otherwise assessed it was unintentional, and not pursuant to any agreement between the assessor and the taxpayer." In our judgment this does not materially detract from the convincing effect of plaintiff's proofs. The evidence is analyzed briefly in the opinion of the district judge (230 Fed. 227-231), and nothing more need to be added to his comments upon it."

Moreover by stipulation in this record the average value of farm lands in Iowa on January 1, 1922, was fixed at \$125.00, while the average assessment of such lands is shown to have been \$76.63 per acre. It therefore is established that the assessment of farm lands was at the rate of only 61.3 per cent of actual value in the year involved in this proceeding. That such fact was known to the Executive Council of the State of Iowa when it came to make the assessment of the property of complainant cannot be denied. Indeed in the oral argument of this case counsel for defendants so admitted.

We have then at the outset in this case as an established fact that at the time of the assessment involved, and for years prior thereto, there had been a systematic, continuous and habitual disregard of the positive provisions of the Iowa Statutes and undervaluation of farm lands in the assessment thereof for the purposes of taxation. So far as farm lands are concerned we do not have

a sporadic case of underassessment, but a condition and result shown by direct and circumstantial facts and admissions to have existed and to have been so notorious for such a period as to in legal effect constitute a system. It follows we think without question that in so far as the assessment of farm lands is concerned such assessment was tinged with a legal fraud. Surely there had been a violation of the positive provisions of the statutes, and such violation had continued for such a length of time as to constitute a system, and such violation was notorious to the extent that investigations conducted by the State and its agents and published at large, asserted the existence of the disregard of the statutory provisions. What more is required to show the existence of a legal fraud in the administration of the tax laws of the State? Surely in similar cases where relief has been granted, citations to which are included in our brief of authorities, no more proof has been adduced.

Now assuming the existence of such legal fraud with respect to the assessment of a substantial body of taxable property in the State, and assuming also the continuity, the intent, the habit, and the notoriety with respect to such legal fraud, is more than a resulting damage required to be proved in order to accord relief to one impressed with a greater proportion of the tax burden? Does good faith alone on the part of other taxing officials in the administration of their offices avoid the right to relief as against such continuous, systematic and habitual discrimination? Does not the fact that the damage is sustained in and of itself in connection with the proof of the existence of the legal fraud in the taxation of such a substantial body of property afford not only the basis, but the occasion for the interposition of the power of a court of equity to relieve against such discrimination?

That such must be the case seems to us beyond question. Suppose in this case the Executive Council of the State of Iowa had performed its duty in accordance with the strict statutory requirements, and had therefore assessed the property of the Railway at actual value, could there have been a charge of bad faith as against the Executive Council? Is compliance with the letter of the law the occasion for a conviction of bad faith? But would such a condition, however honest and earnest the Executive Council may have been in its effort to accurately determine the actual value of the property of the Railway, deprive the railway as a taxpayer from relief against the undue burden cast upon it not by reason of the act of the Executive Council but by reason of the intentional undervaluation of the other class of property by the assessors who had the obligation to assess? And would not the very fact of such discrimination give rise to a right to relief?

The systematic and intentional undervaluation of one class of property, necessarily produces a discrimination against another class of property which is not accorded the same treatment; the owner of the last mentioned class of property is entitled to equitable relief because of that discrimination, and he does not have to show that the officials who assessed his property did not exercise an honest judgment; all he need show is the intentional undervaluation of the one class of property and the *simple fact* that his property was not assessed on the same basis.

The reason for this is simple, and is fully sustained by the authorities. Where state officers, charged with the duty of assessing property at its *full value*, intentionally and systematically assess it for less than such full value, they have violated the law; that violation in itself

throws an illegal burden and exaction upon the taxpayer whose property is not thus assessed; the illegal action operates against, and affects the taxing system of the state as a whole, and the aggrieved taxpayer, affected by such discrimination practiced in favor of another class of property, is entitled to equitable relief even though the officials who assessed his property fully obeyed the law.

The correctness of our claim is demonstrated by those cases where there were two different sets of assessing officials, acting independently, one of which intentionally and systematically undervalued the property under their jurisdiction, while the other did not. Relief was granted in those cases to complainants who owned property subject to the jurisdiction of the last mentioned authorities. Such relief could not have been granted had those complainants been required to prove not only the wrongful action of the authorities who undervalued the one class of property, but also to prove similar wrongful action by the authorities who assessed complainant's property; in these cases it was not alleged or proved that the last mentioned public authorities had acted illegally or fraudulently.

The *Greene* cases, 244 U. S. 499 and following, are excellent examples. There the assessment complained of was made by a State Board of Valuation and Assessment; real and personal property was assessed by county assessors subject to the review of county boards of supervisors and a State Board of Realization. The bill in *Greene v. Louisville & Interurban Railroad Company* alleged (p. 502) that complainant was assessed by defendants, constituting the Board of Valuation and Assessment "on the basis of 75% of actual values, while taxable property in general was assessed *systematically and intention-*

ally at not more than 52% of actual values." And again (p. 504):

"Plaintiff avers that for many years past, including the taxing year 1914-1915, the taxes for which are here in controversy, *the local assessors and other assessing officers of the State of Kentucky have habitually, intentionally, systematically, and generally assessed the property of individuals and of corporations within their sphere of duty, comprising 80 per cent of the total taxable property, at not exceeding 52 per cent, of its fair cash value, estimated at the price which it would bring at a fair and voluntary sale; that the fact of such systematic assessment upon that basis annually for many years past has been a matter of public notoriety in the State; 'whereas the said Bosworth, Rhea and Creechius, acting as the State Board of Valuation and Assessment, after ascertaining what, in their judgment, was the fair cash value of plaintiff's capital stock, reduced said value only to the extent of taking 75 per cent, thereof, instead of taking 52 per cent, the average rate applied by assessing officers to the vast body of property in this State.'*"

It will be noted there are here no averments of any systematic or intentional failure to equalize on the part of the defendants, but the intentional and systematic action complained of was simply on the part of the *local assessors*, etc. The court said:

"The entire argument for defendants proceeds upon the theory that the Board of Valuation and Assessment *treated all taxpayers alike* over whom they had jurisdiction; hence, it is fair to assume that plaintiffs' franchises were assessed on the same basis of valuation applied by the Board to other property generally that came within the range of their official duty." (p. 506).

The above quotation shows that the Board of Valuation and Assessment had in itself practiced no discrimination between the various classes of property that came before it for assessment. It was admitted that the vast body of property in the state was intentionally assessed at only 52%. The court then said:

"Is discriminatory taxation, contravening the express requirements of the state constitution, beyond redress in the courts of the United States, their jurisdiction being properly invoked, when the discrimination results from divergent action by different assessing boards whose assessments are not subject to any process of equalization established by the State, and where the diverse results are the outcome, not, indeed, of any express agreement among the officials concerned, but of intentional, systematic, and persistent undervaluation by one body of officials, presumably known to and ignored by the other body, so that in effect the two bodies act in concert? In our opinion, the answer must be in the negative."

The Kentucky Constitution and Statutes are substantially like those of Iowa:

Kentucky.

(p. 509) "All property, whether owned by natural persons or corporations, shall be taxed in proportion to its value, unless exempted by this Constitution; and all corporate property shall pay the same rate of taxation paid by individual property."

"All property * * * shall be assessed for taxation at its fair cash value,

Iowa.

"The property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals. (Constitution, Art. VIII Sec. 2.)

"All property subject to taxation shall be valued at its current value. * * *

estimated at the price it would bring at a fair voluntary sale." (p. 508)

Actual value of property shall mean its value in the market in the ordinary course of trade." Sec. 1305, Code 1897.

The court said (p. 516):

"Therefore, the principal, if not the sole reason for adopting "fair cash value" as the standard for valuations, is as a convenient means to an end—the end being equal taxation."

It continued:

"But if the standard be systematically departed from with respect to certain classes of property, while applied as to other property, it does not serve but frustrates the very object it was designed to accomplish. It follows that the duty to assess at full value cannot be supreme in all cases, but must yield where necessary to avoid defeating its own purpose."

In the companion case, *L. & N. v. Greene*, 244 U. S. 522, the court summarized the bill of complaint as follows:

"A chief ground of complaint, based upon the equal protection provision of the Fourteenth Amendment, and also upon the requirement of equal taxation prescribed by 171, 172 and 174 of the state constitution, was that the plaintiff had been subjected to illegal discrimination, in that its property had been assessed at more than its actual value, whereas the property of all other taxpayers in the State was assessed uniformly and intentionally at much less than actual value, in fact at not exceeding 60 per cent."

It will be noted here that the allegation with respect to intentional under-valuation is made solely with re-

spect to "property of all other taxpayers in this State." With respect to the *proof* the court said (p. 531):

"It is contended by defendants that the evidence was insufficient to warrant the conclusion of the learned District Judge that in fact *property in general* in the State of Kentucky was systematically undervalued."

No claim was made of any *systematic or intentional* action with respect to complainant's property.

Upon the contention last quoted, the court said (p. 532):

"The evidence is too voluminous to be adequately reviewed within reasonable limits of space, and we content ourselves with saying that it comprises a body of official admissions and direct and circumstantial evidence from private and public sources that are unimpeached, fully sustaining the finding of the trial court that *the great mass of property* in the State, so far as assessed by the county assessors under the review of the county boards of supervisors and the State Board of Equalization—and this embraces all tangible property except railroad property and distilled spirits—during a period of years prior to and including the year 1913, was intentionally, systematically, and notoriously assessed far below its actual value, and at certainly not exceeding 60 per cent of its fair cash value."

Thus the bill of complaint, the evidence in support thereof, and the defense thereto, were all directed solely to the intentional and systematic under-assessment of the great mass of property in the state.

Another late case is *Sunday Lake Iron Co. v. Wakefield*, 217 U. S. 350, wherein the court said:

"The purpose of the equal protection clause of the Fourteenth Amendment is to secure every person within the state's jurisdiction against intentional and arbitrary discrimination, whether occasioned by express terms of a statute or by its improper execution through duly constituted agents. And it must be regarded as settled that *intentional systematic undervaluation by state officials of other taxable property in the same class contravenes the constitutional right of one taxed upon the full value of his property.*"

The underscored provision shows clearly that the illegal intention and system need exist with respect only to one class of property, and need not exist with respect to the taxpayer who has been taxed upon the full value of his property.

The above language is quoted approvingly by Chief Justice Taft in *Sioux City Bridge Co. v. Dakota County Nebraska*, 260 U. S. 411 (1923), and he says:

"Analogous cases are *Greene v. Louisville & Interurban R. R. Co.*, 214 U. S. 499, 516, 517, 518; *Cummings v. National Bank*, 101 U. S. 153, 160; *Taylor v. Louisville & Nashville R. R. Co.*, 88 Fed. 350, 364, 365, 372, 374; *Louisville & Nashville R. R. Co. v. Bosworth*, 209 Fed. 380, 452; *Washington Water Power Co. v. Kootenai County*, 270 Fed. 369, 374."

One of the leading cases is *Taylor v. L. & N.*, 88 Fed. 350, decided by the Circuit Court of Appeals, composed of Judges Taft, Lurton and Severens., opinion by Taft, J. This case has frequently been cited with approval by the Supreme Court of the United States, for example, in the *Greene* cases, at pp. 516 and 529, where it is extensively quoted from; *Sioux City Bridge Case*, p. 446; *Johnson v. Wells Fargo Co.*, 239 U. S. 234.

The *Taylor* case involved assessments made by the State of Tennessee, in which state real and personal property was assessed for taxation by one board and railroad property by another. Upon the point under discussion Judge Taft said (p. 361):

"The next objection to the assessment of the defendants, and the most serious, is that they have assessed the railroad property of the state, including that of complainant, at its real value, whereas all other property of the state is habitually and intentionally assessed by the assessing officers, who are not the defendants, at not exceeding 75 per cent of its real or correct value."

Judge Taft thereupon referred to the Tennessee statutes which required each of the two boards to assess property within their respective spheres at its "real value." He continued:

"The contention for the complainant is that the undervaluation of real and personal property is intentional and systematic throughout the state, and is in accordance with an immemorial and well-recognized custom; that, combined with the assessment at full value of all railroad property makes a system of taxation operating to impose upon complainant, and all other holding the same class of property, a grossly unjust share of the cost of the state, county, and city governments; that this is in violation of the constitution of the state of Tennessee, which enjoins uniformity of taxation, according to value, on all property, and expressly forbids that one species of property shall be taxed higher than any other."

Here, again, the contention is limited to an intentional and systematic under-valuation of property by a board who were not defendants to the case; and there

was no contention that the board which assessed complainant's property had acted wrongfully in respect of its own duty.

Likewise from Judge Taft's statement of the evidence it can be seen that it was limited to the systematic undervaluation by the local assessors and other county officials. The court then continued:

"We have before us a case in which the complaining taxpayer, and other taxpayers owning the same species of property are taxed at a higher rate than the owners of other species of property. This does not come about by legislative discrimination, but by the intentional and systematic disregard of the law by those charged with the *duty of assessing all other species of property* than that owned by complainant and its fellows of the same class." (384)

After an examination of the authorities the court continues:

"We have already found, from the evidence, that that there is an intentional undervaluation of property in each county, and that this is uniform as to all real and personal property, and results from a clear understanding between the assessors and county boards of equalization, who have a common motive for the reduction." (371)

We call the Court's particular attention to the following language:

"Now, it is true, that before equity will relieve in such a case, it must appear that the assessing officers whose acts of undervaluation create the unjust burden must intentionally and habitually violate the law, by assessing property at a less valuation than that which they know to be its true value; but it is not true that they must be shown affirmatively to

intend to injure complainant and his class of taxpayers in so doing. It is true that in the *Cummings* Case the unfaithful assessors, or some of them, did undervalue both real and personal property, and money capital, in which were included bank shares, at different percentages of their true value; but the assessment of which complaint was made was not the work of these assessors at all, but, as here, of a state board of equalization. An intentional undervaluation of a large class of property, when the law enjoins assessment at true value, is necessarily designed to operate unequally upon other classes of property to be assessed by other taxing tribunals, who, it may be presumed, will conform to the law." (372)

The court then refers to the rule that equitable relief does not lie where the injury complained of arises only from the erroneous but honest judgment of the tax tribunal. How then could the court give relief to the complainant in that case where it was admitted that the State Board which had assessed its property had not by intention, design or otherwise, done any illegal act? The answer is given as follows by the court:

"The various boards whose united action is by law intended to effect a uniform assessment on all classes of property are to be regarded as one tribunal, and the whole assessment on all classes of property is to be regarded as one judgment. If any board which is an essential part of the taxing system intentionally, and therefore fraudulently, violates the law by uniformly undervaluing certain classes of property, the assessment by other boards of other classes of property at the full value, though a literal compliance with the law, makes the whole assessment, considered as one judgment, a fraud upon the fully-assessed property. And this is true although the particular board assessing the complainant's property may have been wholly free from fault of fraud or intentional discrimination."

In Iowa, farm lands are assessed initially by local assessors, whose action is in certain respects, subject to review by the Executive Council as a State Board of Equalization. The Executive Council, pursuant to entirely different statutory authority, is the original assessing body of railroad property. If the Executive Council be considered as two separate assessing authorities—one with respect to farm lands and another with respect to railroads—the situation is the same as that revealed by the above cases, in which there were two separate boards, one for railroads and one for other property generally, except that in Iowa the two boards had the same personnel. But even if the Executive Council be considered as a single body with a single jurisdiction, the principle is not different as is shown by the following excerpt from *Greene v. Louisville & Interurban R. Co.*, 244 U. S. 499, 512:

"It is hardly open to serious dispute that if the legislature had confided to a single body the determination of the basis of assessment of the real estate and personal property of individuals and non-franchise corporations, on the one hand, and of the tangible and intangible property of public service corporation, on the other, a valuation of property of the latter class on the basis of 75 per cent of its actual value, while property of the former class was assessed systematically at 52 per cent, or not more than 60 per cent, of its actual value, would be inconsistent with the sections we have quoted from the Kentucky Constitution."

We submit that the evidence in this record clearly shows the fact to be that by the assessment made complainant is subjected to a greater proportion of the tax burden than is true as to farm lands on the average.

The record includes evidence of the value of the carrier property of the complainant upon numerous bases.

The first basis is that of the par value of its stocks and bonds, the second that of the market value of its stocks and bonds. That such bases are proper for consideration in the determination of the ultimate question of value, we think demonstrated by decisions of many courts, including the decisions of this court.

In *L. & N. R. Co. vs. Greene*, 244 U. S. 522, in speaking to this question this court said:

"In such cases there are (at least) two recognized methods known as the stock and bond plan, and the capitalization of income plan. In the present case the latter was followed."

The use of the value of stocks and bonds as a measure of value for purposes of taxation, or at least as a method worthy of consideration in arriving at such value, is recognized also in the decisions in *Railroad Tax Cases*, 92 U. S. 575, and *L. & N. R. Co. vs. Coulter*, 131 Fed. 282.

The next basis presented by complainant is that of the capitalization of its net railway operating income over a period of five years next preceding the assessment, (such period being chosen as a representative or normal period of operation), at the rate of six and seven per cent respectively, (such percentages being presented on the theory that they constituted a reasonable measure of a fair return upon the value of the property employed in such common carrier business).

That such basis is not only proper but necessary for consideration in the determination of the ultimate question of value is demonstrated, by the provisions of the Iowa statutes. See Section 1334, Supplement to the Code of 1913, which provides that "for the purpose of making

such assessment", the railway is required to furnish a statement of its gross earnings, its operating expenses and its net earnings, and Section 1340-a and c of the 1913 Supplement to the Code of Iowa which prescribes the method of computation of gross and net earnings.

By Section 1336 of the Code of Iowa of 1897, the Executive Council is required to take into consideration in making such assessment the gross earnings of the railway, and likewise is required to apportion the value of rolling stock and movable property on the basis of the "business" done in the State and out of the State.

Earnings, both gross and net, are recognized by the decisions of the Iowa Supreme Court as not only proper but necessary considerations in the determination of value.

Marshalltown, etc. Ry. vs. Wilker, 185 Iowa, 165;
City of Marion vs. C. R. & M. Ry., 120 Iowa, 259.

Complainant next presented as a method for consideration in the determination of the value of its property the capitalization of the rental paid to it for the use of its property by the government. That such method is a proper one is demonstrated by numerous decisions of this court, among which are the following:

Monongahela Nav. Co. v. U. S., 118 U. S. 312;
Cleveland etc. Ry. v. Backus, 151 U. S. 439;
Adams Exp. Co. v. Ohio State Auditor, 166 U. S. 185.

Complainant presented also a basis for consideration in the determination of the ultimate question of value its property investment account as reported to the Interstate Commerce Commission in the proceeding known as *Ex Parte* 71, and as adjusted in that proceeding for the carriers in the western group.

All of these bases were of the value of the carrier property of the complainant as a system. Its system extends into fourteen states. It was necessary therefore to apportion to the State of Iowa that value, and in order so to do complainant presented ratios for apportionment based upon, first, gross earnings in the State of Iowa and outside of the State of Iowa. This basis was presented because of the statutory requirements hereinbefore referred to. It next presented the ratio determined by the net earnings in the State of Iowa as compared to the net earnings outside of the State of Iowa. This basis was presented because of the requirement of Section 1334 of the Supplement to the Code of Iowa of 1913, that for the purpose of making such assessment complainant should report such fact. It next presented the ratio determined by the miles of road operated in the state of Iowa as compared to the miles of road on the system as a whole, which likewise was required to be reported for the purpose of making such assessment by the same section of the Iowa Code, and such is true with respect to the ratio of the miles of track operated in and out of the state.

Complainant presented additional ratios based upon transportation train miles in the State and on the system as a whole, and traffic units, being number of passengers carried one mile and tons of freight moving one mile in and out of the State as a measure of the business done, since under the statutes of Iowa property used both in and out of the state is required to be apportioned on the basis of the business in and out of the State.

Upon the composite ratio derived by a consideration of all of these bases, the value of the property of complainant in the State was determined and shown by the exhibits to complainant's Exhibit "11", and on no one of

the bases of value so apportioned did the assessment of its property approximate the basis of 61.3 per cent of actual value, at which farm lands were assessed.

Therefore taking into account the bases specified by the statutes of the State of Iowa for the purpose of apportionment, and taking into account the recognized methods for the determination of the value of railway property, there was in every instance a showing of substantial discrimination as a matter of fact in the imposition of the tax burden upon complainant when compared to farm lands.

It is true the defendants on the hearing presented as Exhibit "A-1" (Trans. 177) certain correspondence between the Board of Railroad Commissioners of the State of Iowa and a Vice-President of complainant. It will be noted that the subject matter of this correspondence was the investment in road and equipment of the complainant for the State of Iowa, and the correspondence on its face shows that the statement was of the claim made by the railway in connection with the valuation of its property by the Bureau of Valuation of the Interstate Commerce Commission. A comparison of this statement with the tentative valuation report (Trans. 314-458) will demonstrate that the claim of complainant so made was not allowed. Indeed defendants introduced the protest of complainant filed in that proceeding. Bearing in mind the nature of the hearing, the fact that the evidence was upon affidavits and documents, that no opportunity of cross examination or explanation was offered, the purpose for which the statement was given being in answer to an inquiry asking for certain information, the nature of the data disclosed by the statement, can it be said that such statement would afford a basis for hold-

ing that upon the final hearing in the case the probabilities were that complainant would not prevail?

Furthermore, while costs either of original construction or of reproduction at any given date might be competent as evidence upon the issue of value for some purposes, it certainly could not be taken as the controlling factor in the determination of the question in this case because so to do would be to ignore the requirements of the Iowa Statutes heretofore referred to.

The same observations are applicable to the tentative valuation report offered as Exhibit "X" by defendants, and likewise the report of the Board of Directors to the stockholders of complainant of January 7, 1922, offered as complainant's Exhibit "C", is subject to the same considerations.

It is earnestly submitted that this record discloses a state of facts which presented a case proper for the investigation of the court on the final hearing, and that to preserve the *status quo* a preliminary injunction should have been awarded.

THE ASSESSMENT OF COMPLAINANT'S PROPERTY, IF SUSTAINED ON THE GROUNDS DISCLOSED BY THE OPINION OF THE LOWER COURT, RESULTED FROM THE EMPLOYMENT OF ERRONEOUS PRINCIPLES, OR THE DISREGARD OF RIGHTS SECURED TO COMPLAINANT BY THE IOWA LAWS.

The opinion of the lower court appears at page 24 of the transcript. With respect to the assessment of complainant's property the court says that the Executive Council "may also have used any of the suggested methods of allocation so long as it included therein the requirements of the Iowa Statute that it consider gross

earnings and the relative proportion of state and interstate business", and with reference to complainant's evidence states: "However, this affidavit contains no information as to gross earnings."

The court in this statement has clearly erred, as is disclosed by complainant's Exhibit 11 (Trans. 131 and 132), where the term railway operating revenues as used in the exhibits is clearly defined and constitutes gross earnings.

The opinion recognizes the requirement of the Iowa Statutes that in the making of the assessment the Executive Council of Iowa is required to consider gross earnings, and also the relative proportion of state and interstate business. We have already called to the attention of the court the provisions of the various statutes providing for the consideration of these factors in the making of the assessment.

If, in order to sustain the assessment against the charge of discrimination as made by the bill, a method of assessment which disregards the right of the complainant under the Iowa Statutes referred to to have considered its gross earnings and the relative proportion of state and interstate business in the making thereof, is adopted, then by virtue of the adoption of such method the assessment is void and the complainant entitled to relief.

In speaking to this question this court in *Louisville & Nashville R. Co. vs. Greene*, 244 U. S. at page 536, said:

"The findings of an official body such as the Board of Valuation and Assessment, made—as was the case here—after a hearing and upon notice to the taxpayer, are *quasi* judicial in their character, and are not to be set aside or disregarded by the courts unless it is made to appear that the body pro-

ceeded upon an erroneous principle or adopted an improper mode of estimating the value of the franchise, or unless fraud appears. *Pittsburg, C. C. & St. L. R. Co. v. Backus*, 151 U. S. 421, 435, 436, 38 L. Ed. 1031, 1039, 1040, 11 Sup. Ct. Rep. 1114; *Chicago B. & Q. R. Co. v. Babcock*, 204 U. S. 585, 596, 51 L. Ed. 636, 639, 27 Sup. Ct. Rep. 326. In this case there is no showing of fraud, the contention being that the Board departed from the mode prescribed by the statute. If they did this, or if they proceeded in disregard of rights secured to the taxpayer by the state or Federal Constitution, of course they proceeded upon an erroneous principle. *Henderson Bridge Co. v. Com.*, 99 Ky. 623, 645, 29 L. R. A. 73, 31 S. W. 486; *Hager v. American Surety Co.*, 121 Ky. 791, 800, 90 S. W. 550."

Now let us examine the opinion and order of the court denying complainant's application for a temporary injunction. In said opinion it is said: (Trans. 29.)

"In the above annual report to the stockholders, for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81% (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 plus % as against 61 plus % for farm lands.

In view of the above possible findings, based on evidence before it, we cannot say that the Council intentionally overassessed the property."

Let us suppose that the Executive Council had taken the statement in the report to complainant's stockholders of the physical value of the complainant's property as a measure of its value for the purpose of taxation; let us

suppose further that the Executive Council had allocated that value on the mileage basis for the year 1921, just as the court says it might have done, would not such method have contravened the express provisions of the Iowa Statutes? Certainly included in the value, whatever the sum, was some quantity of money represented by the rolling stock and movable property, which is under the statute specifically required to be apportioned to the business in and out of the State and not upon a mileage basis. Furthermore by the adoption of some estimate of physical value, or cost, either original or reproduction new, there is an utter disregard of the provision of the statute that the gross earnings of complainant shall be considered in the making of the assessment. Now if the Executive Council had adopted the method referred to in the above quotation from the opinion of the court, surely its action in that respect would have been subject to the charge that it had disregarded a right secured to the taxpayer by the state law, or had employed an erroneous principle, or adopted an improper mode of estimating the value of the property, and under the clearly established rule complainant would be entitled to relief from such an assessment.

Now if the assessment cannot be sustained on the basis suggested because of the adoption of an improper method, then the employment of such method by the court as a reason for denying to complainant the temporary injunction prayed demonstrates the failure to exercise the sound legal discretion with which the court was invested in the determination of the issue then before it.

It is further stated in the opinion of the court below that "the above protest filed by the company with the Interstate Commerce Commission claimed a system

value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 60% thereon as compared with 61 plus % for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud." The protest was of a finding of physical value. Neither the protest nor the finding of physical value involved the consideration of gross earnings or business, or of the other factors, which are required by the statutes of the State of Iowa to be considered by the Executive Council in the making of railway assessments, so that to predicate an assessment upon such protest under the circumstances stated would be to disregard the rights secured to the taxpayer by the state law, or would be the employment of an erroneous principle, or the adoption of an improper mode of estimating the value of the property, and this being true, the lower court in basing its conclusion upon such a ground did not indulge the sound legal discretion which it should have indulged in the determination of the issue presented to it.

The same observation is equally applicable to the employment of the statement made by the Vice President of complainant to the Board of Railroad Commissioners of the State concerning the investment in road and equipment as reported to the Interstate Commerce Commission which, as we have heretofore shown, was a statement of cost based on reproduction new, and was a statement which had, as a matter of fact, not been allowed by the Interstate Commerce Commission. The employ-

ment of such a basis is contrary to the statutes, and would result in absolutely ignoring certain positive provisions of the statutes concerning the making of assessments of railway property, and for the same reason would be the equivalent of the employment of an erroneous principle, or the adoption of an improper mode, and the court below in basing its conclusion upon such ground did not employ the sound legal discretion required in the determination of the issue, and so it may be said with respect to each and all of the specific considerations shown by the opinion of the lower court to have been indulged in reaching its conclusion.

Therefore we insist that in denying to complainant the relief asked the court has justified the action of the Executive Council of the State of Iowa upon grounds which disclose a procedure in disregard of the provisions of the State Statutes with respect to the making of assessments, and has therefore predicated its conclusion upon fundamentally erroneous principles.

Surely an order based upon considerations such as disclosed by this opinion cannot be said to have resulted from the employment of the sound legal discretion required.

We therefore earnestly submit that the action of the trial court should be reversed.

Respectfully submitted,

J. G. GAMBLE,

Counsel for Appellant.

W. F. DICKINSON,

W. F. PETER,

R. L. READ,

Of Counsel.

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J. G. GAMBLE,

Counsel for Appellant.

W. F. DICKINSON,

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APPENDIX.

Sec. 1305, Code Supplement 1913. Valuation. All property subject to taxation shall be valued at its actual value, which shall be entered opposite each item, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade. This section shall not apply to special charter cities.

Sec. 1334, Code Supplement 1913. Railway companies—when made—verified statement—when furnished. On the second Monday in July in each year, the executive council shall assess all the property of each railway corporation in the state, excepting the lands, lots and other real estate belonging thereto not used in the operation of any railway, and excepting railway bridges across the Mississippi and Missouri Rivers, and excepting grain elevators; and for the purpose of making such assessment its president, vice president, general manager, general superintendent, receiver or such other officer as the council may designate, shall on or before the first day of April in each year, furnish it a verified statement, showing in detail, for the year ended December thirty-first next preceding:

1. The whole number of miles of railway owned, operated or leased by such corporation or company within and without the state;

2. The whole number of miles of railway owned, operated or leased within the state, including double tracks and sidetracks, the mileage of the main line and branch lines to be stated separately, and showing the number of miles of track in each county;

3. A full and complete statement of the cost and actual present value of all buildings of every description owned by said railway company within the state not otherwise assessed;

4. The total number of ties per mile used on all its tracks within the state;

5. The weight of rails per yard in main line, double tracks and sidetracks;

6. The number of miles of telegraph lines owned and used within the state;

7. The total number of engines, and passenger, chair, dining, official, express, mail, baggage, freight and other cars, including handcars and boarding cars used in constructing and repairing such railway, in use on its whole line, and the sleeping cars owned by it, and the number of each class on its line within the state, each class to be valued separately;

Sec. 1334-a, Code Supplement 1913. Detailed statements—what to include. Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred thirty-four of the supplement to the code shall, on or before the first day of April, nineteen hundred and five, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December thirty-first, nineteen hundred and four, for railway purposes, in each county in the state in which said real estate is situated, including the right of way, roadbed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, roundhouses, machine and repair shops, water tanks, turntables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof, in such manner as may be required by the executive council. Only one such detailed statement by any corporation shall be necessary, and when received by the council it shall become the record of railway lands of such corporation, and be deemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite to the description of said tract in the original report of the same in the record of railway land.

Sec. 1334-b, Code Supplement 1913. Record of railway lands. The executive council shall, by some convenient method of binding, arrange the statements required to be made under the provision of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands.

Sec. 1334-c, Code Supplement 1913. Acts in conflict repealed. Subsection three of the law as it appears in section thirteen hundred thirty-four of the supplement to the code (1902) and all other statutes or parts of statutes in conflict herewith are hereby repealed.

Sec. 1335, Code of Iowa, 1897. Operating expenses—amended statement. There shall not be included in said operating expenses any payments for interest or discount, or construction of new tracks except needed sidings, for raising or lowering tracks above or below crossings at grade in cities or towns, for new equipment except replacements, for reducing any bonded or permanent debt, nor for any other item of operating expenses not fairly and reasonably chargeable as such in railway accounts. The council may demand, in writing, detailed, explanatory and amended statements of any of the items mentioned in the preceding section, or any other items deemed by it important, to be furnished it by such railway corporation within thirty days from such demand, in such form as it may designate, which shall be verified as required for the original statement. The returns, both original and amended, shall show such other facts as the council, in writing, shall require.

Sec. 1336, Code of Iowa, 1897. Valuation. The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earn-

ings per mile for the year ending January first, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state.

Sec. 1337, Code Supplement 1913. Statement sent county auditors. On or before the first Monday in August of each year, the council shall transmit to the county auditor of each county, through and into which any railway may extend, a statement showing any length of the main track within the county, and the assessed value per mile of the same, as fixed by a ratable distribution per mile of the assessed valuation of the whole property.

Sec. 1339, Code of Iowa, 1897. Rate. All such railway property shall be taxable upon said assessment at the same rates, by the same officers and for the same purpose as the property of individuals within such counties, cities, towns, townships and lesser taxing districts.

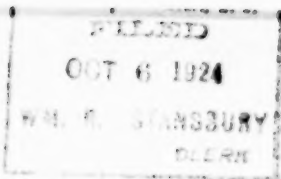
Sec. 1340-a, Code Supplement 1913. Gross earnings — proportion. That for the purpose of making reports to the executive council, the gross earnings of railway companies, owning or operating a line or lines of railway partly within this state, and partly within another state, or other states, or territory, or territories, upon their line or lines within this state, shall be ascertained and reported by said railway companies as follows, to wit: The aggregate of the earnings upon business originating and terminating within this state, upon business originating in this state and terminating elsewhere, upon business originating elsewhere and terminating in this state, and upon business neither originating or terminating in this state but carried on or done over the line or lines in this state or over some part thereof, shall be reported; and with respect to all such interstate business the earnings in this state for the purpose of report shall be actually computed upon the basis of the length

of haul or carriage in this state as compared with the length of haul or carriage elsewhere. It being hereby declared that for the purpose of making reports looking to the assessment of railway property for taxation the gross earnings or business done or carried partly within this state and partly in another state, or other states, or territories, shall be that proportion of the entire earnings of such business that the haul or carriage in this state bears to the entire haul or carriage.

Section 1310-c, Code Supplement 1913. Net earnings. The executive council shall have the power to prescribe a method for all railway companies doing business in this state, together with the rules and regulations for the ascertainment of the net earnings of the railway lines in this state, to the end that all such railway companies, in ascertaining and making report of net earnings, shall proceed upon the same basis and in a uniform manner.

Sec. 1312, Code of Iowa, 1897. Real property of railways. Lands, lots and other real estate belonging to any railway company, not used exclusively in the operation of the several roads, and all railway bridges across the Mississippi and Missouri rivers, and grain elevators, shall be subject to assessment and taxation on the same basis as property of individuals in the several counties where situated.

Sec. 1417, Code of Iowa, 1897. Refunding erroneous tax. The board of supervisors shall direct the treasurer to refund to the taxpayer any tax or portion thereof found to have been erroneously or illegally exacted or paid, with all interest and costs actually paid thereon. In case any real estate subject to taxation shall be sold for the payment of such erroneous tax, interest or costs, the error or irregularity in the tax may be corrected at any time provided in this chapter, but such correction shall not affect the validity of the sale or the right or title conveyed by a treasurer's deed, if the property was subject to taxation for any of the purposes for which any portion of the taxes for which the land was sold was levied, and the taxes were not paid before the sale, or the property redeemed from sale.



IN THE
SUPREME COURT OF THE UNITED STATES.
OCTOBER TERM, 1924.

No. 22.

THE CHICAGO GREAT WESTERN RAILROAD
COMPANY, APPELLANT,

v.

NATHAN E. KENDALL, GOVERNOR OF THE STATE OF
IOWA; W. C. RAMSAY, SECRETARY OF THE STATE OF
IOWA; GLENN C. HAYNES, AUDITOR OF THE STATE OF
IOWA, ET AL., APPELLEES.

MOTION TO AFFIRM AND DISMISS.

BEN J. GIBSON,
Attorney General of Iowa;
NEILL GARRETT,
Assistant Attorney General,
Counsel for Appellees.

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MOTION TO AFFIRM AND DISMISS.

Come now the above-named appellees, by Ben J. Gibson and Neill Garrett, their counsel, and move the court that the above-named appellant be called, and that the above-entitled cause be affirmed and dismissed, and as grounds therefor, show to the court as follows:

1. That this appeal is from the action of the court organized under the provisions of Section 266 of the Judicial Code, denying the application of the complainant, appellant herein, for a temporary injunction restraining the appellees herein from certifying an assessment made by them of the complainant's property for taxation purposes; that thereafter, on the 10th day of November, 1922, the court allowed the application for an appeal; that under Rule 9 of the Rules of Practice of the Supreme Court it was the duty of the appellant to docket the said appeal in this court at or before thirty days from the date of the filing of said citation on the 10th day of November, 1922; that on December 8, 1922, appellant made application for an enlargement of time to docket its appeal to January 10, 1923, which was ordered by the court; that on January 8, 1923, the transcript of the record in this cause was filed with the clerk of this court and this cause placed on the docket for the October, 1923, term of this court.

That on January 14, 1924, there was filed in this court in said cause a stipulation by the parties wherein it was stipulated that the above-entitled cause might be continued in the Supreme Court of the United States over the October, 1923, term.

2. That the above-entitled cause is Number 22 on the docket of this court and will probably be reached by this court and will be called for submission on the 7th or 8th of October, 1924; that appellant has failed to file a brief, as required by Rule 21 of the Rules of Practice of the Supreme Court, and that appellant does not now have a brief on file with this court.

3. That the court below issued a stay on supersedeas staying 12 per cent of the assessment of appellant's property so made by the appellees, and that said stay has deprived the State of Iowa of a substantial portion of the public revenues to which it is entitled in the operation of the State and local governments; that the State of Iowa and the respective taxing districts thereof are suffering an irreparable injury by reason of said stay, and for these reasons it is submitted that the above-entitled case should be disposed of as soon as possible.

4. That the appellees herein at all times have been and are now ready and willing to submit this case when called on the docket in its order at the October, 1924, term of this court.

5. That the opinion of the three-judge court from which this appeal is taken fully states the facts and propositions involved in this proceeding, a copy of which is hereto annexed, marked Exhibit "A" and by this reference made a part hereof, and states on its face sufficient facts to enable this court to inform itself as to the details of this case, and especially is this so in connection with the transcript of record which is on file herein.

6. That it was a condition of the order of supersedeas made by the court below that the appellant should prosecute the appeal herein with due diligence.

7. That the appellant has its brief on the merits on file herein.

WHEREFORE appellees pray judgment of this court.

BEN J. GIBSON,

Attorney General of Iowa;

NEILL GARRETT,

Assistant Attorney General,

Counsel for Appellees.

UNITED STATES OF AMERICA,

Southern District of Iowa,

Central Division, ss:

I, Ben J. Gibson, being duly sworn, on oath depose and say I am Attorney General of the State of Iowa and I am one of counsel for Nathan E. Kendall, Governor of the State of Iowa; W. C. Ramsay, Secretary of the State of Iowa, and Glenn C. Haynes, Auditor of the State of Iowa, *et al.*, the above-named appellees, and as such have knowledge of the facts contained in the foregoing motion for affirmance and dismissal; that I have read the above and foregoing motion and that the facts stated therein are true.

BEN J. GIBSON.

Subscribed and sworn to before me this 3d day of October,
1921.

[SEAL.]

S. S. FAVILLE,

Notary Public in and for Polk County, Iowa.

DONALD EVANS,

Solicitor for the above-named appellant;

Please take notice that the appellees in the above-entitled cause will, on Monday, the 6th day of October, 1921, and if motions are not then heard at the next succeeding motion day of the court, make and submit to the Supreme Court of the United States, at a stated term thereof, to be held in the Capitol, in the city of Washington, in the District of Columbia, the above and foregoing motion, together with the exhibit attached thereto, copy of which is hereto annexed.

Dated at Des Moines, Iowa, this 2d day of October, A. D. 1921.

BEN J. GIBSON,

Attorney General of Iowa,

NEILL GARRETT,

*Assistant Attorney General of Iowa,
Counsel for Appellees.*

Service of the above and foregoing notice and copy of said motion and exhibit is accepted this 2d day of October, A. D. 1921.

Solicitor for Appellant

EXHIBIT A.UNITED STATES DISTRICT COURT, SOUTHERN
DISTRICT OF IOWA.

In Equity. No. 4196.

THE CHICAGO GREAT WESTERN RAILROAD CO., *Complainant*,

v.

NATHAN E. KENDALL ET AL., *Defendants*.

In Equity. No. 4198.

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
Complainant,

v.

NATHAN E. KENDALL ET AL., *Defendants*.Before STONE, Circuit Judge, and MUNGER and WADE,
District Judges.

"These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company, and the Chicago Great Western Railroad Company, respectively. The applications were heard together and both will be covered in this opinion.

"These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38 per cent of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75 per cent of actual value. The

Great Western claims the same as to farm lands and that its property was intentionally assessed at 115 per cent of actual value. A reduction in the valuation by the council, after the Great Western filed its bill, would reduce this claimed percentage slightly over 111 5 per cent of actual value.

"There is no claim that the council mis-interpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

"There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S., 66; *Greene v. Ry.*, 244 U. S., 499; *Raymond v. Traction Co.*, 207 U. S., 20, and *State Railroad Tax Cases*, 92 U. S., 575. Therefore, this court has, under the allegations of the complainants, jurisdiction of these cases and must examine and determine them.

"At the threshold of this examination it is of vital importance to state the limits within which this inquiry must be confined. Assessment of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S., 575, 615. Courts cannot act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for general taxation purposes. This power, however, is restricted and defined by those statutes and by the state constitution. Of these restrictions, the ones here vital relate to quality of valuation. Because of differences in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and require-

ment is that property in each of the above classes shall be assessed at full actual value (Secs. 1305, 1334A and 1336 Iowa Code). The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (State Railroad Tax Cases, 92 U. S., 575 at 612), 'perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized.' And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and second, for the practical reason (as said by Justice Miller in the above case, p. 610), 'as all valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter.' But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every taxpayer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters, to instances where the allegations and the proof show willful, intentional wrong valuation, has been established by many cases in the Supreme Court. Ap-

plication of the doctrine is well illustrated in *Albuquerque Bank v. Perea*, 147 U. S., 87; *Sunday Lake Iron Co. v. Wakefield*, 247 U. S., 350; *Raymond v. Traction Co.*, 207 U. S., 20, and *Greene v. Ry.*, 244 U. S., 499. In the *Albuquerque Bank* and *Sunday Lake Iron Co.* cases, the court refused to interfere. In the *Raymond* and *Greene* cases, injunctions issued and were upheld.

"Therefore, the inquiry here is not whether the property of these complainants was overassessed as compared with farm lands but whether the Executive Council intentionally so overassessed such property. The complainants allege that such was the case.

"We start into the proof with the presumption that the council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S., 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant circumstances. We may examine the action of the council in the light of the facts before it and upon which it must have based its action.

"As to farm land values, we are aided by a stipulation which places the average value in the state at \$125.00. The average assessment, by the local boards, was \$76.00. This was a fraction over 64 per cent of actual value. It seems to be conceded by counsel for the respondents that respondents knew of this underassessment. If not conceded the proof is ample that they did know it. Therefore, in assessing complainants' property, they were obligated to apply a relatively similar percentage of valuation. Does the evidence convince that they failed to do so and that such failure was intentional?

"In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the council. That problem was to ascertain the value

of the property, in Iowa, of two large interstate railway systems. The statutes of Iowa contemplate that the council shall, in such cases, assess the 'entire railway within the state' (Sec. 1336, Code). It includes all real estate (Sec. 1334 A and 1336 Code), personalty (Sec. 1336 Code) and intangibles (Sec. 1336 and 1334 and 1340A Code). It is contended by complainants that intangible property is not included but we think the above sections are intended to cover such property and the valuation is to be upon the entire property as a going concern. The difficulties of ascertaining the value of a single, simple thing as a house, a building or a tract of land are evident and have been experienced by every court. How infinitely much more complicated and difficult must always be the valuation of a large railway property. For a half century the courts have struggled with this problem and have not yet settled even the bases to be used in determining such value. There have been innumerable cases before the Supreme Court involving the valuation of large public utilities for taxation and rate purposes. In no one of them has it been laid down that any particular basis or method of ascertaining such value was exclusive or controlling. The most that has been decided is that certain bases or methods bore directly upon value and were useful in determining it. Such recognized bases are cost price, reconstruction cost price, market value of stocks and bonds and capitalization of net income. The uncertainties concerning selection of any one basis, or combination of bases, as a standard of value is also made evident by the sharp conflict between economists, accountants, and students of this subject. They never have agreed and they do not now agree. This uncertainty is further emphasized in these cases where counsel for the Rock Island present six bases (par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent, capitalization of government rental at 6 per cent and property investment as shown in *Ex Parte* No.

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"The difficulty does not stop with the bases of value. It continues into the bases of allocation to Iowa of a proper proportion of the non-fixed property and intangibles. There are, at least, twelve different bases suggested in these cases. As to the Great Western, the six bases suggested by it do not widely vary, the extreme percentages to Iowa being 49.97 per cent and 54.55 per cent. As to the Rock Island, the variation is from 7.25 per cent to 29.63 per cent. As to the Rock Island the respondents contend for a ratio to Iowa of 27.4 per cent.

"All of these theories as to bases of values and bases of allocation were before the council. We are not informed as to which of these theories or combination of theories the council adopted or what weight it gave to any one or more. All of these bases have some logical bearing upon the matter. As no one has been settled upon, in the decisions, as controlling, the propriety of selection remains a matter of fact (*Groesbeck v. Ry.*, 250 U. S., (07, 615)) to be determined by the council, which is the body required by law to make the assessment. In the absence of evidence as to the bases employed, we cannot impugn the good faith of the council if the result reached by it is substantially justified by the application of any one, or combination, of these bases to the facts before it. Nor, direct evidence of intent being present, can we impute bad intention if (aside from all theories of valuation and allocation) the council had before it direct evidence of value which rational men would use and which could justify the result reached.

"There remains the test of the intent of the council in the

light of the above considerations and of the facts before it. We were told at argument that the council had before it all of the facts here presented. In considering the facts, the evidence is different as between the two complainants and each must, therefore, be considered separately.

THE ROCK ISLAND.

"The affidavit of L. A. Hermany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent, capitalization of government rental at 6 per cent, and value under *Ex Parte* No. 74. These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these factors and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result, and therefore, either of the method or of the figure used is shown by the Rock Island bill which sets out a claimed valuation not in excess of \$40,500.00 per mile in Iowa on a mileage of 2,202,335 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be true, the council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate business. However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The council might, also, properly have rejected the five-year period and taken the single year 1921 or a shorter period

than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the council, the ratio of assessed value would be slightly over 60 per cent as against 61 plus per cent for farm lands.

There was, however, before the council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Interstate Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the commission; the protest filed by the company to the tentative valuation findings of the Interstate Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the commission shows a total valuation of over \$137,500,000. It seems doubtful whether the item therein of 'General Expenditures,' totaling over \$14,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00. If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50 per cent as compared with 61 plus per cent for farm lands.

The above protest filed by the company with the Interstate Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the State of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66 per cent thereon as compared with 61

per cent for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

"In the above annual report to the stockholders for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81 per cent (using one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 per cent plus as against 61 per cent plus for farm lands.

"In view of the above possible findings, based on evidence before it, we cannot say that the council intentionally over-assessed this property.

THE GREAT WESTERN.

"We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the assessed value is 66 per cent plus if the figures of the carrier be correct or 51 per cent plus if the figures of the respondents are right. Using the reports of the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50 per cent is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40 per cent thereof. Using the same method as to the value found in *Ex Parte* No. 74, the result is slightly above 40 per cent.

"We conclude, therefore, that the council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

"In the above valuation of the two roads, no account has been taken of intangible values. We have thought it un-

necessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these applications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

"Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the council to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the council.

"Our conclusion is, therefore, that the applications should be and they will be denied."

FILED
OCT 6 1924
WM. R. STANSBURY
CLERK

IN THE
SUPREME COURT OF THE UNITED STATES.
OCTOBER TERM, 1924.

No. 23.

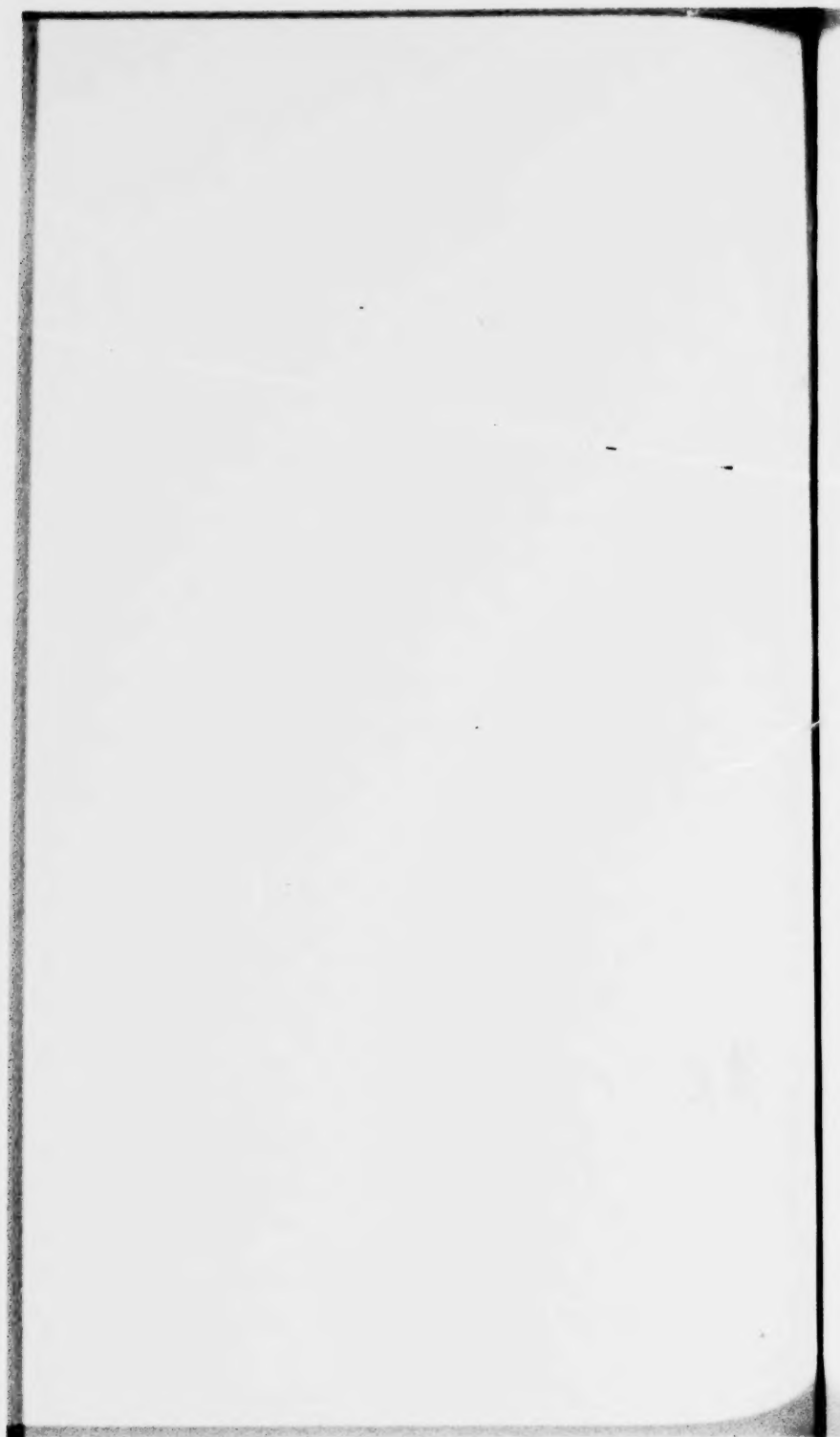
THE CHICAGO, ROCK ISLAND AND PACIFIC RAIL-
WAY COMPANY, APPELLANT,

v.

NATHAN E. KENDALL, GOVERNOR OF THE STATE OF
IOWA; W. C. RAMSAY, SECRETARY OF THE STATE OF
IOWA; GLENN C. HAYNES, AUDITOR OF THE STATE OF
IOWA, ET AL., APPELLEES.

MOTION TO AFFIRM AND DISMISS.

BEN J. GIBSON,
Attorney General of Iowa;
NEILL GARRETT,
Assistant Attorney General,
Counsel for Appellees.



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IOWA; GLENN C. HAYNES, AUDITOR OF THE STATE OF
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MOTION TO AFFIRM AND DISMISS.

Come now the above-named appellees, by Ben J. Gibson and Neill Garrett, their counsel, and move the court that the above-named appellant be called, and that the above-entitled cause be affirmed and dismissed, and as grounds therefor, show to the court as follows:

1. That this appeal is from the action of the court organized under the provisions of Section 256 of the Judicial Code, denying the application of the complainant, appellant herein, for a temporary injunction restraining the appellees herein from certifying an assessment made by them of the complainant's property for taxation purposes; that thereafter, on the 10th day of November, 1922, the court allowed the application for an appeal; that under Rule 9 of the Rules of Practice of the Supreme Court it was the duty of the appellant to docket the said appeal in this court at or before thirty days from the date of the filing of said citation on the 10th day of November, 1922; that on December 8, 1922, appellant made application for an enlargement of time to docket its appeal to January 10, 1923, which was ordered by the court; that on January 8, 1923, the transcript of the record in this cause was filed with the clerk of this court and this cause placed on the docket for the October, 1923, term of this court.

That on January 11, 1924, there was filed in this court in said cause a stipulation by the parties wherein it was stipulated that the above-entitled cause might be continued in the Supreme Court of the United States over the October, 1923, term.

2. That the above-entitled cause is Number 23 on the docket of this court and will probably be reached by this court and will be called for submission on the 7th or 8th of October, 1924; that appellant has failed to file a brief, as required by Rule 21 of the Rules of Practice of the Supreme Court, and that appellant does not now have a brief on file with this court.

3. That the court below issued a stay on supersedeas staying 8 per cent of the assessment of appellant's property so made by the appellees, and that said stay has deprived the State of Iowa of a substantial portion of the public revenues to which it is entitled in the operation of the State and local governments; that the State of Iowa and the respective taxing districts thereof are suffering an irreparable injury by reason of said stay, and for these reasons it is submitted that the above-entitled case should be disposed of as soon as possible.

4. That the appellees herein at all times have been and are now ready and willing to submit this case when called on the docket in its order at the October, 1924, term of this court.

5. That the opinion of the three-judge court from which this appeal is taken fully states the facts and propositions involved in this proceeding, a copy of which is hereto annexed, marked Exhibit "A" and by this reference made a part hereof, and states on its face sufficient facts to enable this court to inform itself as to the details of this case, and especially is this so in connection with the transcript of record which is on file herein.

6. That it was a condition of the order of supersedeas made by the court below that the appellant should prosecute the appeal herein with due diligence.

7. That the appellant has its brief on the merits on file herein.

WHEREFORE appellees pray judgment of this court.

BEN J. GIBSON,

Attorney General of Iowa;

NEILL GARRETT,

Assistant Attorney General,

Counsel for Appellees.

UNITED STATES OF AMERICA,

Southern District of Iowa,

Central Division, ss:

I, Ben J. Gibson, being duly sworn, on oath depose and say I am the Attorney General of the State of Iowa and I am one of counsel for Nathan E. Kendall, Governor of the State of Iowa; W. C. Ramsay, Secretary of the State of Iowa, and Glenn C. Haynes, Auditor of the State of Iowa, *et al.*, the above-named appellees, and as such have knowledge of the facts contained in the foregoing motion for affirmance and dismissal; that I have read the above and foregoing motion and that the facts stated therein are true.

BEN J. GIBSON.

Subscribed and sworn to before me this 3d day of October,
A. D. 1924.

[SEAL.]

S. S. FAVILLE,

Notary Public in and for Polk County, Iowa.

W. F. PETER and J. G. GAMBLE,

Solicitors for the above-named appellant:

Please take notice that the appellees in the above-entitled cause will, on Monday, the 6th day of October, 1924, and if motions are not then heard at the next succeeding motion day of the court, make and submit to the Supreme Court of the United States, at a stated term thereof, to be held in the Capitol, in the city of Washington, in the District of Columbia, the above and foregoing motion, together with the exhibit attached thereto, copy of which is hereto annexed.

Dated at Des Moines, Iowa, this 2d day of October, A. D. 1924.

BEN J. GIBSON,

Attorney General of Iowa,

NEILL GARRETT,

*Assistant Attorney General of Iowa,
Counsel for Appellees.*

Service of the above and foregoing notice and copy of said motion and exhibit is accepted this 2d day of October, A. D. 1924.

Solicitors for Appellant.

EXHIBIT A.UNITED STATES DISTRICT COURT, SOUTHERN
DISTRICT OF IOWA.

In Equity. No. 4196.

THE CHICAGO GREAT WESTERN RAILROAD CO., *Complainant,**v.*NATHAN E. KENDALL ET AL., *Defendants.*

In Equity. No. 4198.

THE CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY,
*Complainant,**v.*NATHAN E. KENDALL ET AL., *Defendants.*Before STONE, Circuit Judge, and MUNGER and WADE,
District Judges.

"These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company, and the Chicago Great Western Railroad Company, respectively. The applications were heard together and both will be covered in this opinion.

"These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38 per cent of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75 per cent of actual value. The

Great Western claims the same as to farm lands and that its property was intentionally assessed at 115 per cent of actual value. A reduction in the valuation by the council, after the Great Western filed its bill, would reduce this claimed percentage slightly over 111.5 per cent of actual value.

"There is no claim that the council misinterpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

"There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S., 66; *Greene v. Ry.*, 244 U. S., 499; *Raymond v. Traction Co.*, 207 U. S., 20, and *State Railroad Tax Cases*, 92 U. S., 575. Therefore, this court has, under the allegations of the complainants, jurisdiction of these cases and must examine and determine them.

"At the threshold of this examination it is of vital importance to state the limits within which this inquiry must be confined. Assessment of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S., 575, 615. Courts cannot act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for general taxation purposes. This power, however, is restricted and defined by these statutes and by the state constitution. Of those restrictions, the ones here vital relate to quality of valuation. Because of differences in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and require-

ment is that property in each of the above classes shall be assessed at full actual value (Secs. 1305, 1334A and 1336 Iowa Code). The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (State Railroad Tax Cases, 92 U. S., 575 at 612), 'perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized.' And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and second, for the practical reason (as said by Justice Miller in the above case, p. 610), 'as all valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter.' But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every taxpayer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters, to instances where the allegations and the proof show willful, intentional wrong valuation, has been established by many cases in the Supreme Court. Ap-

plication of the doctrine is well illustrated in *Albuquerque Bank v. Perea*, 147 U. S., 87; *Sunday Lake Iron Co. v. Wakefield*, 247 U. S., 350; *Raymond v. Traction Co.*, 207 U. S., 20, and *Greene v. Ry.*, 244 U. S., 499. In the *Albuquerque Bank* and *Sunday Lake Iron Co.* cases, the court refused to interfere. In the *Raymond* and *Greene* cases, injunctions issued and were upheld.

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"We start into the proof with the presumption that the council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S., 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant circumstances. We may examine the action of the council in the light of the facts before it and upon which it must have based its action.

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"In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the council. That problem was to ascertain the value

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than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the council, the ratio of assessed value would be slightly over 60 per cent as against 61 plus per cent for farm lands.

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"We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the assessed value is 66 per cent plus if the figures of the carrier be correct or 54 per cent plus if the figures of the respondents are right. Using the reports of the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50 per cent is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40 per cent thereof. Using this same method as to the value found in *Ex Parte* No. 74, the result is slightly above 40 per cent.

"We conclude, therefore, that the council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

"In the above valuation of the two roads, no account has been taken of intangible values. We have thought it un-

necessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these applications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

"Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the council to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the council.

"Our conclusion is, therefore, that the applications should be and they will be denied."

Office Supreme Court, U. S.

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CLERK

No. 22

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1924

THE CHICAGO, GREAT WESTERN RAILROAD
COMPANY,

Appellant,

V.

NATHAN E. KENDALL, GOVERNOR OF THE
STATE OF IOWA, ET AL,

Appellees.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE SOUTHERN DISTRICT OF IOWA.

BRIEF FOR APPELLEES.

BEN J. GIBSON, Attorney General,

NEILL GARRETT, Assistant Attorney General,

Counsel for Appellees.

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No. 22

IN THE
**Supreme Court of the
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OCTOBER TERM, A. D. 1924.

THE CHICAGO, GREAT WESTERN RAILROAD
COMPANY,

Appellant,

V.

NATHAN E. KENDALL, GOVERNOR OF THE
STATE OF IOWA, ET AL.,

Appellees.

STATEMENT OF FACTS

This is an appeal from an order and decree of the District Court of the United States, for the Southern District of Iowa, constituted under the provisions of Section 266 of the Judicial Code, denying the application of the Appellant for a temporary injunction.

The Appellant filed in the District Court, its bill, challenging the validity of the assessment of its properties for the year 1922 by the Executive Council of Iowa.

Upon the filing of the bill, the District Court issued a temporary restraining order, restraining the Executive Council of Iowa from certifying as provided by law, the assessment in question. Thereafter there was organ-

ized a three-judge court, composed of Kimbrough Stone, Circuit Judge, Thomas E. Munger and Martin J. Wade, District Judges. To this court the case was submitted. After evidence had been introduced and arguments heard, the court entered its written opinion, order and decree, denying a temporary injunction and dissolving the restraining order.

Thereafter and on the tenth day of November, 1922, this appeal was allowed and pending the appeal a supersedeas was granted staying twelve per cent of the assessment, all conditioned upon the filing by the appellant of a bond conditioned upon the payment of the taxes finally determined to be legal, together with penalties and interest.

The bill of the appellant as filed in the District Court charges that farm lands have been assessed under the laws of Iowa systematically and continuously and in conformity to a general scheme upon a basis of thirty-eight per cent of actual value, whereas the Executive Council of Iowa intentionally and therefore fraudulently assessed the appellant's property in the year 1922 upon the basis of one hundred and fifteen per cent of actual value. There is no claim that the Executive Council of Iowa misinterpreted the law or applied a wrong method in finding the value of the appellant's property. The only claim is that it intentionally discriminated in applying a higher percentage of actual value to appellant's properties than to farm lands. The issues, the proofs and the facts are very carefully and simply stated by the three-judge court in its opinion rendered herein. We quote this opinion:

"These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company, and

the Chicago Great Western Railroad Company, respectively. The applications were heard together and both will be covered in this opinion.

"These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38 per cent of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75 per cent of actual value. The Great Western claims the same as to farm lands and that its property was intentionally assessed at 115 per cent of actual value. A reduction in the valuation by the council, after the Great Western filed its bill, would reduce this claimed percentage slightly over 111.5 per cent of actual value.

"There is no claim that the council misinterpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

"There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S., 66; *Greene v. Ry.*, 244 U. S., 499; *Raymond v. Traction Co.*, 207 U. S., 20, and *State Railroad Tax Cases*, 92 U. S., 575. Therefore, this court has, under the allegations of the complainants, jurisdiction of these cases and must examine and determine them.

"At the threshold of this examination it is of vital importance to state the limits within which this inquiry must be confined. Assessment of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S., 575, 615. Courts cannot act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for

general taxation purposes. This power, however, is restricted and defined by those statutes and by the state constitution. Of those restrictions, the ones here vital relate to quality of valuation. Because of differences in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and requirement is that property in each of the above classes shall be assessed at full actual value (Sees. 1305, 1334-A and 1336 Iowa Code.) The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (*State Railroad Tax Cases*, 92 U. S., 575, at 612), 'perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized.' And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and, second, for the practical reason, (as said by Justice Miller in the above case, p. 610), 'as all valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter.' But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every taxpayer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this

right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters, to instances where the allegations and the proof show willful, intentional wrong valuation, has been established by many cases in the Supreme Court. Application of the doctrine is well illustrated in *Albuquerque Bank v. Perca*, 147 U. S., 87; *Sunday Lake Iron Co., v. Wakefield*, 247 U. S., 350; *Raymond v. Traction Co.*, 207 U. S., 20, and *Greene v. Ry.*, 244 U. S., 499. In the Albuquerque Bank and Sunday Lake Iron Co. cases, the court refused to interfere. In the Raymond and Greene cases, injunctions issued and were upheld.

"Therefore, the inquiry here is not whether the property of these complainants was overassessed as compared with farm lands but whether the Executive Council intentionally so overassessed such property. The complainants allege that such was the case.

"We start into the proof with the presumption that the council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S., 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant circumstances. We may examine the action of the council in the light of the facts before it and upon which it must have based its action.

"As to farm land values, we are aided by a stipulation which places the average value in the state at \$125.00. The average assessment, by the local boards, was \$76.00. This was a fraction over 61 per cent of actual value. It seems to be conceded by counsel for the respondents that respondents knew of this underassessment. If not conceded, the proof is ample that they did know it. Therefore, in assessing complainants' property, they were obligated to apply a relatively similar percentage of valuation. Does the evidence convince that they failed to do so and that such failure was intentional?

“In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the council. That problem was to ascertain the value of the property in Iowa of two large interstate railway systems. The statutes of Iowa contemplate that the council shall, in such cases, assess the ‘entire railway within the state’ (Sec. 1336, Code). It includes all real estate (Sec. 1334-A and 1336 Code), personalty (Sec. 1336 Code) and intangibles (Sec. 1336 and 1334 and 1340-A Code). It is contended by complainants that intangible property is not included but we think the above sections are intended to cover such property and the valuation is to be upon the entire property as a going concern. The difficulties of ascertaining the value of a single, simple thing as a house, a building or a tract of land are evident and have been experienced by every court. How infinitely much more complicated and difficult must always be the valuation of a large railway property! For a half century the courts have struggled with this problem and have not yet settled even the bases to be used in determining such value. There have been innumerable cases before the Supreme Court involving the valuation of large public utilities for taxation and rate purposes. In no one of them has it been laid down that any particular basis or method of ascertaining such value was exclusive or controlling. The most that has been decided is that certain bases or methods bore directly upon value and were useful in determining it. Such recognized bases are cost price, reconstruction cost price, market value of stocks and bonds and capitalization of net income. The uncertainties concerning selection of any one basis, or combination of bases, as a standard of value is also made evident by the sharp conflict between economists, accountants and students of this subject. They never have agreed and they do not now agree. This uncertainty is further emphasized in these cases where counsel for the Rock Island present six bases (par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent,

capitalization of government rental at 6 per cent and property investment as shown in Ex Parte No. 74, a valuation proceeding by the Interstate Commerce Commission), the Great Western presents five (physical value, capitalization of net earnings in Iowa at 5 per cent, market value of stocks and bonds, capitalization of net earnings allocated to Iowa at 5 per cent, government rental capitalized at 5 per cent) and respondents present three (investment cost, reproduction cost and valuation under Ex Parte No. 74).

"The difficulty does not stop with the bases of value. It continues into the bases of allocation to Iowa of a proper proportion of the non-fixed property and intangibles. There are, at least, twelve different bases suggested in these cases. As to the Great Western, the six bases suggested by it do not widely vary, the extreme percentages to Iowa being 49.97 per cent and 54.55 per cent. As to the Rock Island, the variation is from 7.25 per cent to 29.63 per cent. As to the Rock Island the respondents contend for a ratio to Iowa of 27.4 per cent.

"All of these theories as to bases of values and bases of allocation were before the council. We are not informed as to which of these theories or combinations of theories the council adopted or what weight it gave to any one or more. All of these bases have some logical bearing upon the matter. As no one has been settled upon, in the decisions, as controlling, the propriety of selection remains a matter of fact (*Groesbeck v. Ry.*, 250 U. S. 607, 615) to be determined by the council, which is the body required by law to make the assessment. In the absence of evidence as to the bases employed, we cannot impugn the good faith of the council if the result reached by it is substantially justified by the application of any one, or combination, of these bases to the facts before it. Nor, direct evidence of intent being present can we impute bad intention if (aside from all theories of valuation and allocation) the council had before it direct evidence of value which rational men would use and which could justify the result reached.

“There remains the test of the intent of the council in the light of the above considerations and of the facts before it. We were told at argument that the council had before it all of the facts here presented. In considering the facts, the evidence is different as between the two complainants and each must, therefore, be considered separately.

THE ROCK ISLAND

“The affidavit of I. A. Hermany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent, capitalization of government rental at 6 per cent, and value under Ex Parte No. 74. These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these factors and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result, and, therefore, either of the method or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess of \$40,500.00 per mile in Iowa on a mileage of 2,202,335 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be true, the council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate ‘business.’ However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some

one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the council, the ratio of assessed value would be slightly over 60 per cent as against 61 plus per cent for farm lands.

"There was, however, before the council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Interstate Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the commission; the protest filed by the company to the tentative valuation findings of the Interstate Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the commission shows a total valuation of over \$137,500,000. It seems doubtful whether the item therein of 'General Expenditures,' totalling over \$14,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00. If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50 per cent as compared with 61 plus per cent for farm lands.

"The above protest filed by the company with the Interstate Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 65 per cent thereon as compared with 61 per cent for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

"In the above annual report to the stockholders

for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81 per cent (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 per cent plus as against 61 per cent plus for farm lands.

"In view of the above possible findings, based on evidence before it, we cannot say that the council intentionally overassessed this property.

THE GREAT WESTERN

"We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the assessed value is 66 per cent plus if the figures of the carrier be correct or 54 per cent plus if the figures of the respondent are right. Using the reports of the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50 per cent is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40 per cent thereof. Using this same method as to the value found in Ex Parte No. 74, the result is slightly above 40 per cent.

"We conclude, therefore, that the council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

"In the above valuation of the two roads, no account has been taken of intangible values. We have thought it unnecessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these ap-

plications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

"Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the council to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the council.

"Our conclusion is, therefore, that the applications should be and they will be denied."

BRIEF

DIVISION I

A

Section 2 of Article VIII of the Constitution of Iowa does not prohibit the legislature from enacting laws for the taxation of the property of corporations or individuals by classes. The rule is that all corporations and natural persons engaged in the same business must be taxed alike but that different classes of property need not be so taxed.

Michigan Central Railroad Co. v. Powers, 201 U. S. 245, 293, 302;

Hunter v. Colfax Cons. Coal Company, 175 Iowa, 254, 287, 289; 154 N. W. 1037; (Amended) 157 N. W. 145;

Waterloo Rapid Transit Co. v. Bd. of Supervisors, 131 Iowa, 237; 108 N. W. 307;

The Scottish U. & N. Insurance Co. v. Herriott, 102 Iowa, 606; 80 N. W. 665;

Cooley on Taxation, Third Edition, Volume 1, page 291, 365;

In Re Railroad Tax Cases, 92 U. S. 575;
In Re Railroad Tax Cases, 115 U. S. 321;
Columbus & S. R. Co. v. Wright, 151 U. S. 470;
Gray's "Limitations of Taxing Power," Page 647.

B

Section 6 of Article I of the Constitution of Iowa does not prohibit the legislature from enacting laws which operate uniformly upon the individuals of a class to which such laws apply. If in operation, such laws apply to all persons or citizens in like situation, and within the same class, then there is no offense against the provisions of this section.

Jones v. G. & C. U. Railroad Co., 16 Iowa, 6;
Welch v. C. B. & Q. Railroad Co., 53 Iowa, 632; 6
N. W. 13;
Hawkeye Insurance Co. v. French, 109 Iowa, 585;
80 N. W. 660;
The Scottish U. & N. Ins. Co. v. Herriott, 109 Iowa,
606; 80 N. W. 665.

C

Section 6 of Article I of the Constitution of Iowa does not prohibit the enactment of statutes providing for the uniform assessment and taxation of property by classes.

United Express Co. v. Ellyson, 28 Iowa, 370;
Warren v. Hendy, 31 Iowa, 31;
Dubuque v. Railroad Co., 47 Iowa, 196;
Dundeth v. Dubuque, 32 Iowa, 427;
Hawkeye Insurance Co. v. French, 109 Iowa, 585;
80 N. W. 660;
The Scottish U. & N. Ins. Co. v. Herriott, 109 Iowa,
606; 80 N. W. 665;
Des Moines v. Bolton, 128 Iowa, 108; 102 N. W.
1045;
State v. Fairmont Creamery Co. of Neb., 153 Iowa,
702; 133 N. W. 895;

Waterloo Rapid Transit Co. v. Board of Supervisors, 131 Iowa, 237; 108 N. W. 307.

D

The legislature is not bound by the provisions of Section 2, Article VIII of the Constitution of Iowa to assess or tax the properties of corporations in one class upon the same basis as the property of individuals or corporations in other classes.

Davenport v. Railroad Co., 38 Iowa, 633;

Dubuque v. Railroad Co., 47 Iowa, 196;

Central Iowa R. R. Co. v. The Board, 67 Iowa, 199; 25 N. W. 128;

Davenport v. Railroad Co., 16 Iowa, 348;

Railroad Co. v. Dubuque, 17 Iowa, 120;

United Express Co. v. Ellyson, 28 Iowa, 370;

Hunter v. Colfax Cons. Coal Co., 175 Iowa, 245; 154 N. W. 1037; (Amended) 157 N. W. 145;

Iowa Mutual Tornado Insurance Ass'n. v. Gilbertson, 129 Iowa, 658; 106 N. W. 153.

E

A like construction has been placed upon the equal protection clause of the 14th Amendment to the Constitution of the United States.

Pacific Express Co. v. Scibert, 142 U. S. 339; 349;

Railroad Co. v. Pennsylvania, 134 U. S. 232;

Gray's "Limitations of Taring Power," Page 647.

DIVISION II

A

The assessment of taxes is essentially a legislative function.

State R. R. Tax Cases, 92 U. S., 575, 615.

B

Farm lands and railway properties under the statutes of Iowa are placed in separate and distinct classes for taxation purposes.

Section 1305, Code Supplement 1913;

Sections 1334, 1334-a, 1334-b, Supplement to the Code 1913;

Sections 1335 and 1336, Code 1897 and succeeding sections.

The provisions of Section 1305 of the Code Supplement 1913 apply only in the absence of a specific statute providing another and different method of valuation.

C

The legislature has provided many different methods of fixing the assessment value or base of property.

Section 1310, Code Supplement 1913;

Section 1314, Code 1897;

Section 1315, Code 1897;

Section 1318, Code 1897;

Section 1319, Code 1897;

Section 1321, Code Supplement 1913;

Section 1322, Code Supplement 1913;

Section 1323, Code 1897;

Sections 1330, 1330-a, Code Supplement 1913;

Section 1333, Code Supplement 1913;

Section 1333-a, Code Supplement 1913;

Section 1336, Code 1897;

Section 1340, Code 1897;

Section 1342-a, Code Supplement 1913;

Section 1343, Code 1897;

Sections 1346-d, 1346-e, Code Supplement 1913;

Section 1347-a, Code Supplement 1913;

Section 1350, Code 1897.

D

Railway properties are valued for taxation purposes under special provisions of the statutes.

Sections 1334, 1334-a, 1334-b, 1334-c, 1337, 1337-a, 1340, 1340-a, 1340-b, 1340-c, 1340-d, 1340-e, 1340-f, Code Supplement 1913 and

Sections 1335, 1336, 1338, 1339, 1341 and 1342 of the Code 1897.

E

The executive council is clothed with full power and authority to find and to determine the assessment base or value of railway properties.

Section 1334, Code Supplement 1913, *et seq.*

F

Farm lands are assessed only in odd-numbered years, therefore, the executive council had nothing to do with the assessment of farm lands in the year 1922.

Section 1350, Code 1897.

G

The Executive Council of Iowa, sitting as a State Board of Equalization, has no power to generally increase the assessments of land in all of the counties. Its sole duty is to equalize among the several counties.

Pierre v. Executive Council, 165 Iowa, 465, 471;
Montis v. McQuiston, 107 Iowa, 651.

DIVISION III

A

Courts will not assume jurisdiction nor interfere with an assessment made by an assessing board, unless it ap-

pears that said board discriminated against a certain class of property by intentionally, knowingly and systematically assessing it at a higher percentage of actual value than it intentionally assessed other classes of property. Even then the courts merely reduce the assessed value of such over assessed property to the same relative basis at which other property was assessed.

Sioux City Bridge Co. v. Dakota Co., 67 L. Ed. 340, 343;
Greene v. L. & N. R. R. Co., 244 U. S. 499;
Taylor v. L. & N. R. R. Co., 88 Fed. 350;
Albuquerque Bank v. Perea, 147 U. S. 87;
Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350;
Raymond v. Traction Co., 207 U. S. 20.

B

In a suit to restrain and to enjoin an assessment, it is not sufficient to prove the undervaluation of other classes of property or of other property within the same class. Such undervaluation must be intentional, continuous and habitual.

C. G. W. Railway Co. v. N. E. Kendall, opinion of the Three-Judge Court on file herein;
Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350;
Southern R. R. Co. v. Watts, 67 L. Ed. 375; 260 U. S. 519;
C. B. & Q. Ry. Co. v. Babcock, 204 U. S. 585;
Coulter v. L. & N. R. R. Co., 196 U. S. 599;
Sioux City Bridge Co. v. Dakota County, 43 Sup. Ct. Rep. (U. S.) 190; 67 L. Ed. 340, 343.

C

The burden of proving both over assessment and an intention to over assess is on the appellant.

Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350; 353;

McDermott v. Mahoney, 119 Iowa, 470; 93 N. W. 499;

Brackett v. Commonwealth, 111 N. E. 1036 (Mass.).

Bituminized Brick & Tile Co. v. Simons Brick Co., 192 Pac. 528 (Cal.).

D

Mere errors of judgment do not support a claim of discrimination, but that there must be something more—something which, in effect, amounts to an intentional violation of the essential principle of practical uniformity.

Sioux City Bridge Co. v. Dakota County, 67 L. Ed. 340, 343;

Southern Ry. Co. v. Watts, 260 U. S. 519;

Sunday Lake Iron Co. v. Wakefield Twp., 247 U. S. 350, 353, 62 L. Ed. 1154, 1156, 38 Sup. Ct. Rep. 495;

State R. R. Tax Cases, 92 U. S. 575, 612.

E

It is fundamental that the construction placed upon the constitution of a state by the court of last resort of the state is binding upon the federal courts.

In Re Gilligan, 206 U. S. 563;

Corington v. First Natl. Bank, 198 U. S. 100; 40 L. R. A. (N. S.) 447 (Note).

F

Letters may constitute written admissions and in order to render them admissible in evidence it is not necessary that they shall have been sent to the party offering them.

Castner v. C. B. & Q. R. Co., 126 Iowa, 581; 102 N. W. 499;

Nichols Shepard Co. v. Ringler, 135 Iowa, 181; 112 N. W. 543;

Steele Smith Grow Co. v. Potthast, 109 Iowa, 413;
80 N. W. 517;
Auto & Supply Co. v. Jeffrey & Co., 139 Iowa, 7, 10;
La Abra Silver Mining Co. v. United States, 175
U. S. 423, 498;
Xenia First National Bank v. Stewart, 114 U. S.
224, 228.

G

Reports made by a railroad corporation under the provisions of a statute to the Board of Railroad Commissioners of Iowa, are admissible in evidence as public records and as admissions in any case where their contents are material. The statute does not specify or limit the uses to which they may be put.

Section 2143, Code 1897;
Brackett v. Commonwealth, 111 N. E. 1036
(Mass.).

H

Reports to the Interstate Commerce Commission by a railroad corporation are public records and are admissible in evidence in all judicial proceedings.

Section 16, Interstate Commerce Act, as amended;
Paragraph 12, Sec. 584, United States Compiled
Statutes 1916;
Hawish v. United States, 227 Fed. 584, 588 (Ill.),
Sanborn, J.

I

The annual reports and books of a corporation are admissible in evidence against it as admissions.

Smith v. Martin, 106 Atl. 666 (Vt.);
Bailey v. Railroad Co., 89 U. S. 604;
Vicksburg, etc., R. Co. v. Putnam, 118 U. S. 545;
N. Am. Bldg. Ass'n. v. Sutton, 35 Pa. St. 463;

Foster v. White Cloud City Co., 32 Mo. 505;
La Abra Silver Mining Co. v. U. S., 175 U. S. 423,
498.

J

Pleadings filed in another case containing admissions, are competent evidence against the party making them in another suit as admissions of the facts stated.

Pope v. Allis, 115 U. S. at p. 370;
Gen'l Electric Co. v. Clark & Sons Co., 108 Fed. 170.

K

A written statement is none the less competent as an admission because it is contained in a document which is not itself effective for the purpose for which it was made.

Snyder v. Reno, 38 Iowa, 329;
Tarentine v. Grigsby, 118 Ala. 380; 23 So. 666.

L

Where two writings are clearly connected the admission of one renders the other competent.

Section 4615, Code 1897;
Seccers v. Cleveland Coal Co., 158 Iowa, 574; 138
N. W. 793;
Jones v. Hopkins, 32 Iowa, 503;
Williams v. Donaldson, 8 Iowa, 108;
Veiths v. Hagg, 8 Iowa, 163, 189;
Walkley v. Clarke, 107 Iowa, 451;
Hutton v. Dousser, 116 Iowa, 13.

DIVISION VI

A

In the absence of specific direction in the statutes, the selection of the method of determining the assessed value is a matter of fact to be determined by the assessing body.

Groesbeck v. Ry., 256 U. S. 607, 615.

B

For taxation purposes the minimum value is the value of the physical property.

Baker v. Druesdow, 68 L. Ed. Advance Op. 53;

Railroad Tax Cases, 92 U. S. 575;

Ohio Tax Cases, 232 U. S. 590;

Westshore Ry. Co. v. State Bd. of Assessors, 82 N. J. L. 41; 81 Atl. 352;

Morrison v. Manchester, 58 N. H. 551;

Boston R. R. Co. v. State, 62 N. H. 649;

C. N. W. Ry. Co. v. Ettrick, 285 Fed. 425;

Branson v. Bush, 251 U. S. 182;

Per Curiam Opinion on Temporary Hearing
Herein.

C

The method most frequently used by courts and commissions to determine the present physical or structural value of a railroad or public utility property is the cost of reproduction method.

Mo. Ex Rel. S. W. Bell Tel. Co. v. Pub. Serv. Com.,
67 L. Ed. 981; 262 U. S. 276;

Bluefield Water Works Co. v. Pub. Service Com.,
261 U. S. 679;

Southern Ry. Co. v. Watts, 260 U. S. 519;

Des Moines Gas Co. v. Des Moines, 238 U. S. 153;

Kansas City Southern R. R. Co. v. United States,
231 U. S. 423, 445;

- Minnesota Rate Cases*, 230 U. S. 352, 434, 453, 454, 458;
Willcox v. Consolidated Gas Co., 212 U. S. 19, 41, 52;
Stanislaus Co. v. San Joaquin, 192 U. S. 201;
San Diego Land & Town Co. v. Jasper, 189 U. S. 439, 442;
Cottingham v. Kansas City Stock Yards Co., 183 U. S. 79, 91;
San Diego Land & Town Co. v. National City, 174 U. S. 739;
Smith v. Ames, 169 U. S. 466;
Ames v. Union Pac. R. R. Co., 64 Fed. 165;
Des Moines Gas Co. v. Des Moines, 199 Fed. 204.

D

The distinction between value for rate-making purposes and value for taxation purposes is that in taxation matters other elements of value are to be added, which cannot be included in rate-making values. The elements of value common to both, have the same value regardless of the purpose of the valuation.

- Harvard Law Review for May, 1920, p. 902;
Omaha v. Omaha Water Co., 218 U. S. 180, 202, 203;
Nat'l. Waterworks v. Kansas City, 62 Fed. 853, 865;
Ames v. Union Pacific Railway Co., 64 Fed. 165, 176;
San Diego Land & Town Co. v. National City, 74 Fed. 79, 83, 84; 174 U. S. 739, 757, 758;
San Diego Co. v. Jasper, 189 U. S. 439;
Stanislaus County v. San Joaquin, 192 U. S. 201.

E

It is proper to allocate value to the state of Iowa on the mileage prorate basis in the absence of a clear showing that such method works an injustice or is grossly unfair, either to the state or the complainant.

- L. & N. R. R. Co. v. Green*, 244 U. S. 522, 548;
State R. R. Tax Cases, 92 U. S. 575, 608, 611;
Pullman Palace Car Co. v. Penn., 141 U. S. 18, 26;
Pittsburgh, etc., R. R. Co. v. Backus, 154 U. S. 421,
430, 431, 444;
Western Union Telegraph Co. v. Taggart, 163 U. S.
1, 26, 27;
Fargo v. Hart, 193 U. S. 490, 499;
Columbus So. R. R. Co. v. Wright, 151 U. S. 470,
479, 480;
Western Union Telegraph Co. v. Gottlieb, 190 U.
S. 412;
Western Union Telegraph Co. v. Mass., 125 U. S.
530;
Postal Telegraph Co. v. Adams, 155 U. S. 688;
Adams Express Co. v. Ohio State Auditor, 165
U. S. 194;
Branson v. Bush, 251 U. S. 182;
Westshore R. R. Co. v. State Bd. of Assessors, 82
N. J. L. 38; 81 Atl. 352.

F

The branch or feeder lines of a railroad must be considered as a part of the system, and the net earnings allocated to such lines on the mileage prorata basis is unfair.

- R. & S. Ass'n v. Ry. Co.*, 18 L. C. C. 440, 485;
N. J. Jct. R. R. Co. v. Assessors, 84 N. J. L. 413;
Union Pac. R. Co. v. Christensen, 275 Fed. 6;
Atl. & S. L. R. R. Co. v. State, 60 N. H. 133;
Louisville & N. R. Co. v. Bosworth, 209 Fed. 380;
Branson v. Bush, 251 U. S. 181, 187.

DIVISION VII

A

The co-ordinating of the "bare-bones" of a railroad property into an efficient working organism, and the development of such a plant into an established going busi-

ness, adds to the value of the bare physical property, an additional value due to the existence of these elements known as "going concern value."

- Omaha v. Omaha Water Company*, 218 U. S. 180;
Cedar Rapids Gas Light Co. v. Cedar Rapids, 144
Iowa 426; 223 U. S. 665, 670;
Des Moines Gas Co. v. Des Moines, 238 U. S. 153,
165;
Denver v. Denver Union Water Company, 246 U. S.
178, 192;
Knorrville v. Knorrville Water Co., 212 U. S. 1;
Willcox v. Consolidated Gas Co., 212 U. S. 19.

B

"Franchise Value" is that element of value inherent in a railroad property represented by franchises and privileges, and is included in a value for taxation or exchange purposes.

- N. W. R. R. Co. v. Eckland*, 285 Fed. 425, 435;
Opinion filed herein denying application for temporary injunction;
State Railroad Tax Cases, 92 U. S. 575, 606;
Ohio Tax Cases, 232 U. S. 590;
Willcox v. Consolidated Gas Company, 212 U. S.
19;
Monongahela Navigation Co. v. U. S., 148 U. S. 312.

C

Earning capacity is an element of value inherent in a railroad property, and is due to its favorable location with reference to command of traffic producing industries along its line, its advantage of connections, potential traffic in its tributary territory and location features, present and prospective.

- Monongahela Navigation Company v. U. S.*, 148
U. S. 312 (Condemnation Case);

Cleveland, Cinn., Chicago & St. Louis Railway Co. v. Backus, 154 U. S. 439, 445 (Tax Case);
Franklin County v. M. C. & T. L. Ry. Co., 12 Lea 521 (Tax Case);
Adams Express Co. v. Ohio State Auditor, 165 U. S. 194, 166 U. S. 185 (Tax Case);
Smyth v. Ames, 169 U. S. 466, 546.

D

"Good Will" is recognized as an element of value inherent in a railroad property and is to be included in arriving at the total value of a railroad property for taxation purposes.

Metropolitan Trust Co. v. Houston & T. C. R. Co., 90 Fed. 683;
Cedar Rapids Gas Light Co. v. Cedar Rapids, 223 U. S. 655;
Consolidated Gas Case, 212 U. S. 19, 52;
Omaha v. Omaha Water Co., 218 U. S. 180;
"Jurisdiction to Tax," by Prof. Beale, *Harvard Law Review* for April, 1919, page 614.

E

Railroad property situated partly within and partly without the state but organically related, may be taken into consideration as a means of reaching the full value of the property in the state.

L. & N. R. R. Co. v. Green, 244 U. S. 522, 548;
State R. R. Tax Cases, 92 U. S. 575, 608, 611;
Pullman Palace Car Co. v. Penn., 141 U. S. 18, 26;
Pittsburgh, etc., R. R. Co. v. Backus, 154 U. S. 421, 430, 431, 444;
Western Union Telegraph Co. v. Taggart, 163 U. S. 1, 26, 27;
Fargo v. Hart, 193 U. S. 490, 499;
Adams Express Co. v. Ohio State Auditor, 165 U. S. 194;
Union Tank Line Company v. Wright, 249 U. S. 275.

DIVISION VIII

A

The market value of the stocks and bonds of a railroad company should be given little or no weight in the determination of total value for taxation purposes.

People v. Commissioners of Taxes and Assessments, 23 N. Y. 192;

People v. Coleman, 126 N. Y. 448; 27 N. E. 818, 12 L. R. A. 762;

People v. Feitner, 77 N. Y. S. 745;

M. W. & S. R. Co. v. Morley, 198 Fed. 991.

B

The capitalization of net earnings should not be given controlling weight in arriving at a total value for taxation purposes in Iowa.

Iowa Statutes;

Pittsburgh Railway Co. v. Backus, 154 U. S. 439;

Adams Express Co. v. Ohio, 166 U. S. 185;

Kennebec Water Company v. Waterville, 97 Maine 185; 60 L. R. A. 856; 54 Atl. 6;

Minnesota Rate Cases, 230 U. S. 352;

Smyth v. Ames, 169 U. S. 466;

Re Passenger Rates, M. St. P. v. S. S. M. R. Co., 1 Wis., R. C. R. 540 (1907);

Illinois Central, etc., R. R. Co. v. Interstate Commerce Commission, 206 U. S. 441, 462;

Kansas City Southern Ry. v. U. S., 231 U. S. 423, 446, 447;

Louisiana Railway Commission v. Cumberland Telephone Company, 212 U. S. 414.

ARGUMENT

I

There is but one issue in this case, namely, did the Executive Council of Iowa, in fixing the assessment of

the appellant's property in the year 1922, knowingly, intentionally and as a part of a general scheme, assess the appellant's property upon a basis of 111.5 per cent of actual value, at the same time knowing that farm lands had been knowingly, intentionally and as a part of a general scheme assessed upon a basis of only 38 per cent of actual value. No claim to the adoption of a wrong method of fixing value or to a misinterpretation of the law is advanced.

As the base upon which to found its case the appellant in its bill first contends that the Constitution of the State of Iowa prohibits the classification of property for taxation purposes. The constitutional provisions referred to are as follows:

"The property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."—Section 2, Article VIII, Constitution of Iowa.

"All laws of a general nature shall have a uniform operation; the General Assembly shall not grant to any citizen or class of citizens, privileges or immunities, which upon the same terms shall not equally apply to all citizens."—Section 6, Article I, Constitution of Iowa.

It is fundamental that the construction placed upon the constitution of a state by the court of last resort of the state is binding upon the federal courts. *In Re Gilligan*, 206 U. S. 563; *Corington v. First National Bank*, 198 U. S. 100; 40 L. R. A. (N. S.) 447 (Note).

It is likewise fundamental that unless there is something in the state constitution which requires the assessment of all property upon the same basis, the legislature may provide for the assessment of property by classes. Mr. James M. Gray in his work "Limitations of Taxing

Power," at page 647, after discussing this question at length, says:

"The effect is that the only real effective protection against inequality of taxation which is available to the taxpayer is such protection as is afforded by the constitutions of the states."

The Supreme Court of Iowa has construed both these provisions of the Iowa Constitution. Section 2 of Article VIII has been construed as permitting the legislature to classify property, both of corporations and natural persons for assessment and taxation. It has been held that this provision was designed to prevent the exemption of corporate property from taxation. *Insurance Company v. Herriott*, 109 Iowa 606; *Association v. Gilbertson*, 129 Iowa 658; *Railroad Company v. The Board*, 67 Iowa 199; *Davenport v. Railroad Co.*, 38 Iowa 635; *Dubuque v. Railroad Co.*, 39 Iowa 56; *Hunter v. Coal Co.*, 175 Iowa 245; *Waterloo Rapid Transit Co. v. The Board*, 131 Iowa 237.

The interpretation placed upon Section 6 of Article I of the Constitution of Iowa is to the same effect, the court holding that the only requirement is that all property within the same class, whether the property of an individual or a corporation shall be assessed alike, but that property in different classes may be assessed upon a different basis. *United Express Co. v. Ellyson*, 28 Iowa 370; *Warren v. Henly*, 31 Iowa 31; *Scottish Ins. Co. v. Herriott*, 109 Iowa 606; *Des Moines v. Bolton*, 128 Iowa 108; *Hubbell v. Higgins*, 148 Iowa 36; *Waterloo Rapid Transit Co. v. Supervisors*, 131 Iowa 237; *Dubuque v. C. R. I. & P. R. R. Co.*, 47 Iowa 196; *Dunleith v. Dubuque*, 32 Iowa 427; *Hawkeye Ins. Co. v. French*, 109 Iowa 585.

The court of last resort of Iowa has also held that the

statutes of Iowa providing for the taxation of railway properties do not violate the provisions of either Section 6 of Article I or Section 2 of Article VIII, or Section 30 of Article III of the Iowa Constitution. *Dubuque v. Railway Co.*, 47 Iowa 196; *Central Ia. Railway v. The Board*, 67 Iowa 199; *United Express Co. v. Ellyson*, 28 Iowa 370; *Warren v. Healy*, 31 Iowa 31.

The marked distinction between the case at bar and other cases in which the federal court has assumed jurisdiction will be apparent from a study of such cases. In the several cases relied upon by the appellant the state constitution contains a provision requiring uniformity of taxation, not only within the class but as between classes. For example, in the case most stressed, *Greene v. Louisville, Etc., Ry. Co.*, 244 U. S. 499, jurisdiction was expressly entertained upon the ground that the rule of equality and uniformity guaranteed by the Kentucky Constitution confessedly violated by the state taxing board of that state brought the case within the equal protection clause of the Fourteenth Amendment of the Federal Constitution, thereby creating a federal question, opening the door for the exercise of federal jurisdiction.

Section 174 of the Kentucky Constitution provides as follows:

Section 174. "All property, whether owned by natural persons or corporations, shall be taxed in proportion to its value, unless exempted by this constitution, and all corporate property shall be the same rate of taxation paid by individual property."

Such also was the precise situation in *Raymond v. Traction Co.*, 207 U. S. 20, in which the Illinois Constitution provided:

"The general assembly shall provide such revenue as may be needful by levying a tax by valuation, so

that every person and corporation shall pay a tax in proportion to the value of his, her or its property—such value to be ascertained by some person or persons to be elected or appointed in such manner as the general assembly shall direct and not otherwise.”

Having determined then that there is nothing in the state constitution which will confer jurisdiction upon the court, may we now turn to a consideration of the statutory law of the state.

II

THE IOWA STATUTES

It was contended by the appellant that both classes of property, namely, farm lands and railway properties, are to be valued for assessment purposes under the provisions of section 1305 of the supplement to the code 1913. It is true that there is a general provision relating to the fixing of the assessment base or value of property. This section 1305 of the code supplement 1913, is in words as follows:

“All property subject to taxation shall be valued at its actual value, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade. This section shall not apply to special charter cities.”

This general law, however, applies in the absence of a specific statute, only. A consideration of the laws of the state relating to the assessment of property will clearly show that the legislature has, as to many classes of property, provided specific assessment bases or values to be arrived at in a different manner than is provided in the

general statute. In this connection, attention is invited to a consideration of the assessment laws relating to the property of merchants, the property of manufacturers, the property of banks, moneys and credits, the property of express companies, the property of general corporations, the property of freight line companies, the property of transmission line companies, the property of telephone companies, the property of gas and water works, the property of building and loan associations, the property of insurance companies, and particularly the property of railway companies. These statutes have been uniformly upheld by the court of last resort of the state.

Railway properties under the law are valued for assessment purposes under the provisions of section 1336 of the code 1897. This section is in words as follows:

"The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, road bed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January first, preceeding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock, and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

We call attention to the fact that under the law farm lands are originally assessed by local assessors in the sev-

eral taxing districts of the state. The assessor fixes the value of such properties as directed by the terms and provisions of section 1305 of the code supplement 1913. He then submits his findings to the local board of review of the taxing district and such local board of review proceeds to hear complaints, either on the part of the property owner or on the part of the public, all to the end that the acts of the assessor may be carefully reviewed and as nearly as possible, a correct result attained. After the action of the local board of review, the results are submitted to the county board of supervisors, which sits as a board of equalization for the purpose of adjusting and equalizing as between the several taxing districts of the county. After the board of equalization of the county has acted, the results are transmitted to the state auditor and by him laid before the executive council, sitting as a board of equalization. The executive council proceeds to equalize as between the counties, all to the end that there may be as nearly as possible, uniformity as between the counties.

At this point, may we call attention to the fact that the assessment of farm lands is made only in odd numbered years. Section 1350 of the code 1897 provides as follows:

“Property shall be taxed each year, and personal property shall be listed and assessed each year in the name of the owner thereof on the first day of January. Real estate shall be listed and valued in each odd-numbered year, and in each year in which real estate is not regularly assessed the assessor shall list and assess any real property not included in the previous assessment, and also any building erected since the previous assessment, with a minute of the tract or lot of land whereon the same are situated, and the auditor shall thereupon enter the taxable value of such buildings on the tax list as a part of the real estate to be taxed: but if such buildings are

erected by another than the owner of the real estate, they shall be listed and assessed to the owner as personal property."

Therefore, in even-numbered years no change can be made by any assessorial body of the state as to the assessment of farm lands. It is true that provision is made for the addition of the improvements which have been added to the lands during the year, but the original land itself is assessed in odd-numbered years only. We are constrained to request the court to keep this fact in mind as it will be referred to later in this brief and argument.

On the other hand, railway properties are assessed each year by the executive council of the state. Such properties are assessed as a whole and not by parts. The value so arrived at is divided among the several taxing districts of the state in proportion as the mileage within such taxing district is to the mileage within the state. Many elements of value are to be considered by the Executive Council in fixing the value of railway properties, whereas, as to farm lands, only the value in the market in the ordinary course of trade is to be considered.

Having observed that railway properties are to be valued for assessment purposes under the provisions of the special statutes relating thereto, may we now give consideration to the requirements of such statutes.

For convenience we quote these statutes at length. They are in words and figures as follows:

Sec. 1334, Code Supplement 1913. "Railway Companies—when made—verified statement—when furnished. On the second Monday in July in each year, the executive council shall assess all the property of each railway corporation in the state, excepting the lands, lots and other real estate belonging thereto not used in the operation of any railway, and excepting railway bridges across the Mississippi and Mis-

souri Rivers, and excepting grain elevators; and for the purpose of making such assessment its president, vice president, general manager, general superintendent, receiver or such other officer as the council may designate, shall on or before the first day of April in each year, furnish it a verified statement, showing in detail, for the year ended December 31st next preceeding:

"1. The whole number of miles of railway owned, operated or leased by such corporation or company within and without the state;

"2. The whole number of miles of railway owned, operated or leased within the state, including double tracks and side tracks, the mileage of the main line and branch lines to be stated separately, and showing the number of miles of track in each county;

"3. A full and complete statement of the cost and actual present value of all buildings of every description owned by said railway company within the state not otherwise assessed;

"4. The total number of ties per mile used on all its tracks within the state;

"5. The weight of rails per yard in main line, double tracks and side tracks;

"6. The number of miles of telegraph lines owned and used within the state;

"7. The total number of engines, and passenger, chair, dining, official, express, mail, baggage, freight and other cars, including hand cars and boarding cars used in constructing and repairing such railway, in use on its whole line, and the sleeping cars owned by it, and the number of each class on its line within state, each class to be valued separately;

"8. Any and all other movable property owned by said railway within the state, classified and scheduled in such manner as may be required by said council;

"9. The gross earnings of the entire road, and the gross earnings in this state;

"10. The operating expenses of the entire road, and the operating expenses within this state;

"11. The net earnings of the entire road, and the net earnings, within this state."

Sec. 1334-a, Code Supplement 1913. "Detailed Statements—what to include. Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred thirty-four of the supplement to the code shall, on or before the first day of April, nineteen hundred and five, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December thirty-first, nineteen hundred and four, for railway purposes, in each county in the state in which said real estate is situated, including the right of way, roadbed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, round houses, machine and repair shops, water tanks, turntables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof in such manner as may be required by the executive council. Only one such detailed statement by any corporation shall be necessary, and when received by the council it shall become the record of railway lands of such corporation, and redeemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all the real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite to the description of said tract in the original report of the same in the record of railway land."

Sec. 1334-b, Code Supplement 1913. "Record of railway lands. The executive council, shall, by some convenient method of binding, arrange the statements required to be made under the provision of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands."

Sec. 1335, Code of Iowa, 1897. "Operating expenses—amended statement. There shall not be included in said operating expenses any payments for interest or discount, or construction of new tracks except needed sidings, for raising or lowering tracks above or below crossings at grade in cities or towns, for new equipment, except replacements, for reducing any bonded or permanent debt, nor for any other item of operating expenses not fairly and reasonably chargeable as such in railway accounts. The council may demand, in writing, detailed, explanatory and amended statements of any of the items mentioned in the preceding section, or any other items deemed by it important, to be furnished it by such railway corporation within thirty days from such demand, in such form as it may designate, which shall be verified as required for the original statement. The returns, both original and amended, shall show such other facts as the council, in writing, shall require."

Sec. 1340, Supplement Code 1913. "Number of sleeping and dining cars. In addition to the matters required to be contained in the statement made by the company for the purposes of taxation, such statement shall show the number of sleeping and dining cars not owned by such corporation, but used by it in operating its railway in the state during each month of the year for which the return is made, the value of each car so used, and also the number of miles each month said cars have been run or operated on such railway, within the state, and the total number of miles said cars have been run or operated each month within and without the state. Such statement shall show the average daily sleeping car and dining car service or wheelage operated on each part or division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part having the same daily service or wheelage."

Sec. 1340-a, Supplement Code 1913. "Gross earnings—proportion. That for the purpose of making reports to the executive council, the gross earnings of railway companies, owning or operating a line, or lines of railway partly within this state, and partly

within another state, or other states, or territory, or territories, upon their line or lines within this state, shall be ascertained and reported by said railway companies as follows, to-wit: The aggregate of the earnings upon business originating and terminating within this state, upon business originating in this state and terminating elsewhere, upon business originating elsewhere and terminating in this state, and upon business neither originating or terminating in this state but carried on or done over the line or lines in this state or over some part thereof, shall be reported; and with respect to all such interstate business the earnings in this state for the purpose of report shall be actually computed upon the basis of the length of haul or carriage in this state as compared with the length of haul or carriage elsewhere. It being hereby declared that for the purpose of making reports looking to the assessment of railway property for taxation, the gross earnings or business done or carried partly within this state and partly in another state, or other states, or territories, shall be that proportion of the entire earnings of such business that the haul or carriage in this state bears to the entire haul or carriage."

Sec. 1340-e. Supplement to the Code 1913. "Net earnings. The executive council shall have the power to prescribe a method for all railway companies doing business in this state, together with the rules and regulations for the ascertainment of the net earnings of the railway lines in this state, to the end that all such railway companies, in ascertaining and making report of net earnings, shall proceed upon the same basis and in a uniform manner."

Sec. 1340-e. Supplement to the Code, 1913. "Additional rules and regulations. The rules, regulations, method and requirements herein provided to be made by the executive council shall be made and communicated in writing or print to the said several railway companies within thirty days from and after the passage and taking effect of this act, and shall be and become binding upon said railway companies from the time they are so communicated; provided, however, that the said executive council shall have

the power to prescribe supplemental or additional rules, regulations, and requirements at any time, and communicate them to the several railway companies in the manner aforesaid, and with respect to such additional or supplemental rules, regulations, and requirements, they shall be and become binding upon the said railway companies within thirty days after they are so communicated."

Sec. 1340-f, Supplement to the Code, 1913. "Refusal to conform to rules—penalty. If any railway company shall fail or refuse to obey or conform to the rules, regulations, method, and requirements so made or prescribed by the executive council, under the provisions of this act, or to make the reports as herein provided for, the executive council shall proceed and assess the property of such railway company so failing or refusing, according to the best information obtainable, and shall then add to the taxable valuation of such railway company 25 per centum thereof, which valuation and penalty shall be separately shown, and together shall constitute the assessment for that year."

Sec. 1336, Code of Iowa, 1897. "Valuation. The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, road bed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January 1, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

Sec. 1341, Code 1897. "Assessment by executive

council. The council shall, at the time of the assessment of other railway property for taxation, assess for taxation the average number of cars so used by such corporation each month, and the assessed value of said cars shall bear the same proportion to the entire value thereof that the monthly average number of miles such cars have been run or operated within the state shall bear to the monthly average number of miles such cars have been used or operated within and without the state. Such valuation shall be in the same ratio as that of the property of individuals, and shall be added to the assessed valuation of the corporation, fixed under the preceding sections."

Sec. 1342, Code 1897. "Real property of railways. Lands, lots, and other real estate belonging to any railway company, not used exclusively in the operation of the several roads, and all railway bridges across the Mississippi and Missouri rivers, and grain elevators, shall be subject to assessment and taxation on the same basis as property of individuals in the several counties where situated."

Sec. 1339, Code 1897. "Rate. All such railway property shall be taxable upon said assessment at the same rates, by the same officers, and for the same purpose as the property of individuals within such counties, cities, towns, townships and lesser taxing districts."

It is fundamental that all statutes relating to the same subject are to be construed together in determining the true intent and purpose of the legislature. Therefore, in determining what was the true intent and purpose of the legislature of Iowa in fixing the assessment base or value of railway properties, all of these statutes must be considered. These statutes provide for the Executive Council to secure a complete and itemized accounting of the physical units of property, both real and personal, used in the operation of the properties of the carrier within the state. This itemized schedule separates the fixed property and the movable property so that the data

will be complete as to both classes of property. This data is secured by the Executive Council for some definite purpose. If the value of the carrier is to be fixed without regard to the separate units of physical property, then there would have been no necessity for the enactment of these several statutes providing for the reporting of the physical units and related facts. Does it not necessarily follow that the true intent and purpose of the legislature was to secure a complete accounting of the physical properties for valuation purposes? This purpose is not only disclosed in the several sections of the statutes quoted but it is particularly emphasized in the valuation section, Sec. 1336, Code 1897, wherein it is provided that the valuation shall include "the right of way, road bed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway." Therefore, we feel justified in saying that no other possible construction can be placed upon these statutes than that:

1st. There must be a valuation of the physical units; and

2d. To the valuation of the physical units must be added the valuation of the intangible elements.

III

IN GENERAL

It is fundamental that the assessment of property for taxation purposes is a legislative function. Under the Constitution of Iowa the legislature has an absolute right to vest the Executive Council of Iowa with full and complete authority to assess the appellant's property as well as to equalize the value of real estate. The courts will

not interfere to correct mere errors in legislative judgment.

State Railroad Tax Cases, 92 U. S. 575;
Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350;
C. B. & Q. Ry. Co. v. Babcock, 204 U. S. 585.

In order for the court to assume jurisdiction in this case it must be shown clearly and satisfactorily that there has been a departure from the rule of practical uniformity and that such departure has been intentional, systematic and continuous. Chief Justice Taft in *Sioux City Bridge Co. v. Dakota County* (U. S.) 67 L. Ed. 343, well states the rule when he says:

“Mere errors of judgment do not support a claim of discrimination, but there must be something more, something which in effect, amounts to an intentional violation of the essential principle of practical uniformity. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350, 353; 62 L. Ed. 1154, 1156; 38 Sup. Ct. Rep. 495.”

Mr. Justice Miller in *Railroad Tax Cases*, 92 U. S. 575, says:

“Perfect equality and perfect uniformity of taxation as regards individuals or corporations or the different classes of property subject to taxation, is a dream unrealized, * * * as all valuation of property is more or less a matter of opinion we see no reason why the opinion of this court or of the circuit court should be better or should be substituted for that of the board, whose opinion the law had declared to be the one to govern in the matter.”

The Court in *Pittsburgh Ry. Co. v. Backus*, 154 U. S. 421, 434, 435, 436, says:

“Upon this testimony (testimony as to the value of complainant's property) the decision of the court was that there was nothing to impeach the assess-

ment made by the state board, and in this conclusion we concur. The true cash value of the plaintiff's property in the state of Indiana in the year 1891 was a question of fact, the determination of which for the purposes of taxation was given to this special tribunal, the state board. Whenever a question of fact is thus submitted to the determination of a special tribunal, its decision creates something more than a mere presumption of fact, and if such determination comes into inquiry before the courts, it cannot be overthrown by evidence going only to show that the fact was otherwise than as so found and determined. Here the question determined by the state board was the value of certain property. That determination cannot be overthrown by the testimony of two or three witnesses that the valuation was other than that fixed by the board. It is true such testimony may be competent, and was received in this case because, taken in conjunction with other testimony, it might establish fraudulent conduct on the part of the board sufficient to vitiate its determination. It is not, however, contended by counsel that there was any actual fraud on the part of that board; that the individual members thereof deliberately violated the obligations of their oaths of office, and intentionally placed upon the property of the plaintiff a valuation which they knew to be grossly in excess of that which it in fact bore, and did so with the purpose of making the plaintiff bear a larger share of the burden of the support of the state government than it rightfully should. The contention is made that the board made a grievous mistake in placing so high a value, and that it took into consideration property outside of the state, and gave to the property within a value partly deduced from that without the state. The testimony, however, does not sustain this contention. * * *

"The findings of an official body such as the Board of Valuation and Assessment made—as was the case here—after a hearing and upon notice to the taxpayer, are quasi judicial in their character, and are not to be set aside or disregarded by the courts unless it is made to appear that the body proceeded

upon an erroneous principle or adopted an improper mode of estimating the value of the franchise, or unless fraud appears."

The Court in *Louisville & Nashville Railroad Company v. Greene*, 244 U. S. 523, 536, 542; 61 L. Ed. 1291, says:

"In our opinion, it is a sufficient answer to this contention to say that the board merely carried out the capitalization-of-income plan of valuation, perhaps to its logical extreme, but certainly not in a manner that enables this court to say that they pursued a fundamentally wrong method. * * * a criticism merely of the conclusion of the board upon a question of facts which is not properly subject to review by the courts."

The evidence in this case discloses clearly that the Executive Council of Iowa in the year 1922 proceeded honestly and fairly in an earnest attempt to equalize upon the same relative and uniform percentage the assessed value of farm lands and railroad property, including the property of the carrier.

A similar proceeding had been brought in the District Court of the United States for the Southern District of Iowa in an attack upon the 1921 assessment as made by the Executive Council of Iowa. Subsequently these cases were disposed of upon an agreed settlement which has nothing to do with this case. The fact, however, as to what the law was and as to what was required by the Executive Council is clearly shown in the opinion of the Court rendered at that time and to be found in *C. M. & St. P. Ry. Co. v. Kendall, et al.*, 278 Fed 298.

In the exercise of an honest purpose the Executive Council at once, after such proceeding had been determined, proceeded to inform itself very fully relative to railroad values. This fact is disclosed by the record in

this case. For years the annual reports of the carriers to the Executive Council of Iowa for assessment and taxation have been meager (See Exhibit P, Transcript 190). Realizing this fact, that body in conformity to law, called upon the carriers for a complete statement of facts relative to the value of their several properties from every conceivable standpoint and including operating statistics, gross and net income, physical value, values of stocks and bonds, etc. (See Exhibit Q, Transcript 195.) The Council did not stop with the information thus disclosed, but proceeded to invite the carriers to appear personally and present evidence or facts which might in any way be considered as reflecting the true value of the properties to be assessed. The carriers, including the appellant, appeared and did present exhibits and arguments.

Not only did the carriers orally present the matter to the council, but it also presented exhibits as to the value of its properties, which exhibits are almost identical with the proofs offered before the three-judge court. The carrier also presented evidence relative to land values so that the Executive Council at the time of the assessment had before it the same case as was presented to the three-judge court.

The Executive Council was not even content with this information thus obtained. It went further and secured still further information. The affidavit of E. May Sweeney, Secretary of the Executive Council in charge of taxation matters, states: (Transcript 178).

“ * * * the council had before it in connection with the assessment of said railroad properties they had complete statistical reviews and data relative to the market values of stocks and bonds; the par value of stocks and bonds; gross and net income of the several railroads; the annual reports and additional annual report of each of the several carriers,

including the two carriers in question; also the report for all preceding years of each of said carriers, including said two particular carriers; also the complete assessed value of all classes of property for preceding years; also the reports of said railroad companies, including the two companies in question, the Railroad Commission of the State of Iowa, for the year 1921 and preceding years; also exhibit No. 1, pages 7 to 12, in Ex Parte 74 before the Interstate Commerce Commission of the United States; also the reports of the Railroad Commission of the State of Iowa; the reports of the Executive Council of the State of Iowa; the reports of the Auditor of State of the State of Iowa; also the tentative finding of value by the Interstate Commerce Commission on file with the Governor of Iowa; also copy of letter of L. C. Fritch, Vice President of the Chicago, Rock Island & Pacific Railway Company, to the Board of Railroad Commissioners of Iowa, with reference to the value of Chicago, Rock Island & Pacific Railway property in Iowa; also other matters and things which I do not at this time recall."

It thus will appear that the Executive Council at the time of adjusting the valuation of the properties of the appellant had before it full and complete information and was in a position to determine honestly and fairly a relative value as compared with farm lands.

It is to be observed that the Executive Council could not in the year 1922 change the assessed value of farm lands. It could only seek to reduce the assessed value of railway properties to the same relative percentage. This is exactly what the courts hold it had a right to do and what it ought to do. This is exactly what it did. It may be interesting to note that the Executive Council of Iowa has no authority to raise the assessed value of farm lands to a basis of 100 per cent. It only has authority to equalize the value as between counties upon the same relative and uniform percentage. In *Pierce v. Executive Council*,

165 Iowa 465, 471, the Supreme Court of Iowa outlines the power of the Executive Council, sitting as a board of equalization, as follows:

"The fourth division of the decree seems to us to be much broader than can be justified under any rule of law with which we are familiar. Save as to an original assessment of railways, etc., the State Board of Review had no other duty than to equalize the assessments among the several counties of the state. It had no power, as we understand, to make original assessments in any of the counties, or to generally increase the assessments in each and all of the counties. Its sole duty, as we understand it, in this respect, was to equalize among the several counties. *Montis v. McQuiston*, 107 Iowa 651."

The courts have assumed jurisdiction in cases of this character only upon the theory that one class of property has been assessed intentionally, systematically and continuously upon a higher percentage of assessed to actual value than that percentage of assessed to actual value which has been, as a part of the scheme, applied to another class of property. This, because of the fact that the result of the application of a different percentage to the two classes of property has resulted in a denial of the equal protection of the laws to the property owner whose property has been assessed upon the higher basis. This has been so repeatedly announced by this court as to be fundamental. In the case at bar a different situation is presented. The Executive Council of Iowa did not seek to assess the property of the appellant upon a higher percentage than that at which farm lands has been assessed and equalized, but upon the same percentage. In doing so it did that which would result to each property owner an equal and uniform assessment.

This duty on the part of the assessing board has been

repeatedly referred to by the courts. The latest pronouncement thereon is that of Chief Justice Taft in *Sioux City Bridge Co. v. Dakota County, Supra*, wherein he says:

"This court holds that the right of the taxpayer whose property alone is taxed at 100 per cent of its true value is to have his assessment reduced to the percentage of that value at which others are taxed, even though this is a departure from the requirement of the statute. The conclusion is based on the principle that where it is impossible to secure both the standards of true value, and the uniformity and equality required by law, the later requirement is to be preferred as the just and ultimate purpose of the law."

The appellant before the three-judge court did not attack the good faith of the Executive Council in seeking to equalize upon the same relative and uniform basis by the production of any evidence, unless it be assumed that the proofs of value submitted by it are such as to raise a presumption that the Executive Council did not equalize upon the same relative percentage. The three-judge court has very carefully analyzed the evidence submitted by the appellant as to its values. Without repetition, may we again quote:

THE ROCK ISLAND

"The affidavit of L. A. Hermany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent, capitalization of government rental at 6 per cent, and value under Ex Parte No. 74. These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these factors and

giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result, and, therefore, either of the method or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess of \$40,500.00 per mile in Iowa on a mileage of 2,202,335 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be true, the council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate 'business.' However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$16,000,000.00. If the higher results were accepted by the council, the ratio of assessed value would be slightly over 60 per cent as against 61 plus per cent for farm lands.

There was, however, before the council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Interstate Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the commission; the protest filed by the company to the tentative valuation findings of the Interstate Commerce Commission; and the report of the directors of that rail-

road to its stockholders. The above report to the commission shows a total valuation of over \$137,500,000. It seems doubtful whether the item therein of 'General Expenditures,' totalling over \$14,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00. If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50 per cent as compared with 61 plus per cent for farm lands.

"The above protest filed by the company with the Interstate Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66 per cent thereon as compared with 61 per cent for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

"In the above annual report to the stockholders for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81 per cent (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 per cent plus as against 61 per cent plus for farm lands.

"In view of the above possible findings, based on evidence before it, we cannot say that the council intentionally overassessed this property.

THE GREAT WESTERN

"We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the

assessed value is 66 per cent plus if the figures of the carrier be correct or 54 per cent plus if the figures of the respondents are right. Using the reports of the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50 per cent is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40 per cent thereof. Using this same method as to the value found in Ex Parte No. 74, the result is slightly above 40 per cent.

"We conclude, therefore, that the council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant."

As will have been observed these facts were all before the Executive Council, and it is to be presumed that they were given that consideration to which they were entitled.

Again, it may be said in addition to what has been said by the court, that each of the compilations submitted by the appellant are subject to the very grave objection that they are not based upon the actual facts as disclosed by the record.

As opposed to the evidences of value as thus presented, the state submitted the findings of the Executive Council on the same relative and uniform basis, together with complete data and information relative to the values of the appellant's properties upon which the three-judge court reached its conclusions as above set out.

(Defendant's Exhibit N, Tr. 139; Defendant's Exhibit O, Tr. 144, particularly pages 148, 149, 150, 151, 175, 176; Defendant's Exhibit R, Tr. 177, 178; Defendant's Exhibit S, Tr. 178; Defendant's Exhibit T, Tr. 179; Defendant's Exhibit Q, Tr. 195, and side folio pages 506-519.)

In addition to the proofs of value thus referred to by the court, reference is made to the affidavits and con-

clusions of value based upon the record which show clearly that the actual value of the properties of the appellant in Iowa, subject to taxation by the Executive Council, exceeds \$37,000,000.00, which is more than sufficient to sustain the assessment as made by the Executive Council.

In addition to the foregoing evidences of value based upon the value of the physical structures, proofs were introduced as to the intangible values of such properties. These intangible values have to do with such elements of value as good will, connected use and operation, etc. Such intangible values coupled with the physical values raise the total value of the appellant's property beyond any amount conceivably necessary to sustain the action of the Executive Council.

It follows that the appellant must fail because it has failed to make out a case of intentional discrimination. It must fail further because of the fact that the proofs clearly show that the actual value of the appellant's property is more than sufficient to sustain the assessment in question upon a basis of 61.34 per cent.

It is respectfully contended that this court must and should affirm the order and decree of the three-judge court.

Respectfully submitted,

BEN J. GIBSON, Attorney General,

NEILL GARRETT, Assistant Attorney General,

Counsellors for the Appellee.

FILED

OCT 24 1924

WM. R. STANBURY

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NO. 22

IN THE

**Supreme Court of the
United States**

OCTOBER TERM, A. D. 1924

CHICAGO GREAT WESTERN RAILROAD
COMPANY,

Appellant,

v.

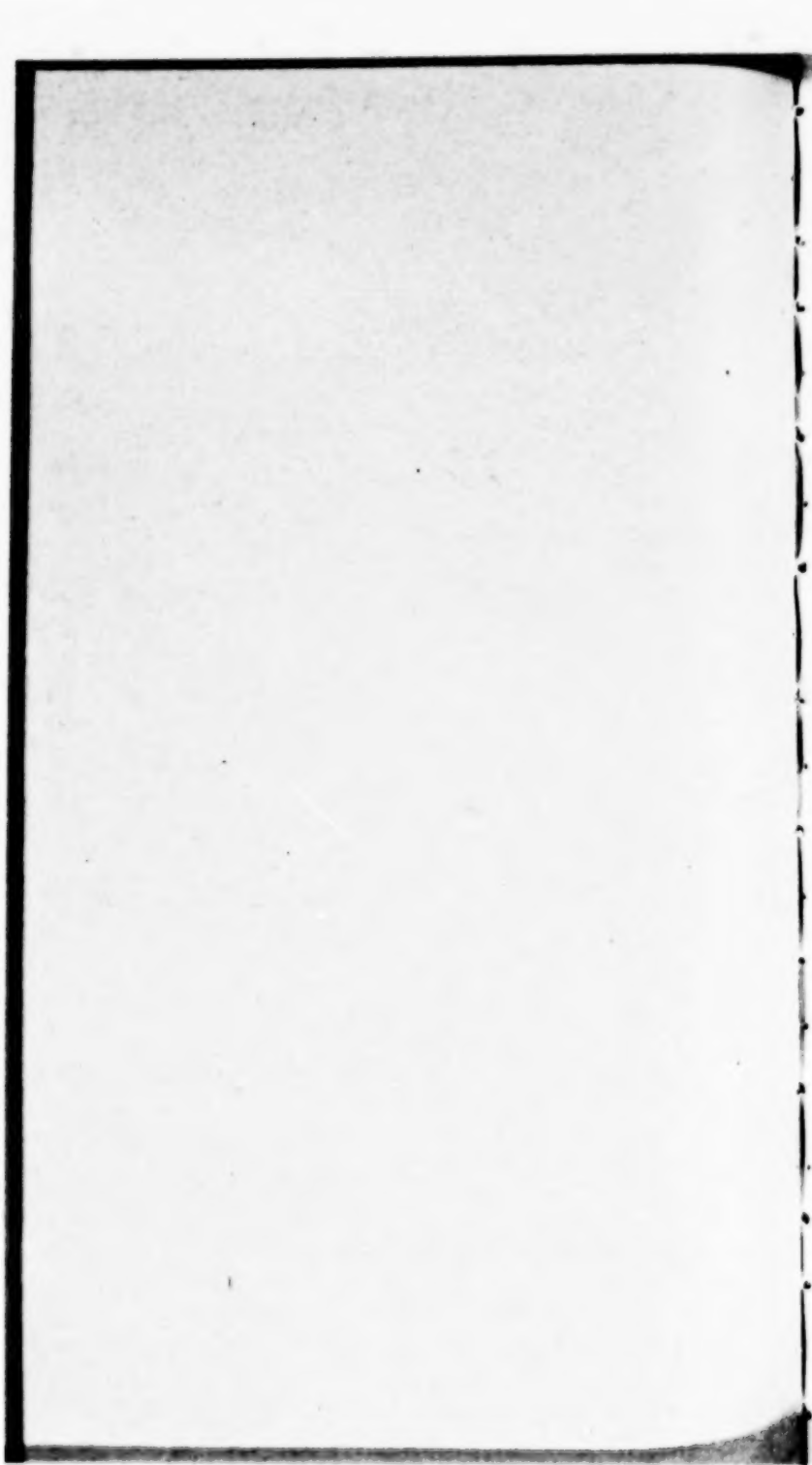
NATHAN E. KENDALL, GOVERNOR OF
THE STATE, ET AL,

Appellees.

APPEAL FROM THE DISTRICT COURT OF THE
UNITED STATES FOR THE SOUTHERN
DISTRICT OF IOWA

ADDITIONAL BRIEF FOR APPELLEES

BEN J. GIBSON, Attorney General of Iowa,
NEILL GARRETT, Assistant Attorney General,
Solicitors for Appellees.



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STATEMENT

This statement is supplementary to the statement contained in the original brief and argument filed herein by the appellees. The occasion for the filing of this brief and argument is unusual and for that reason some reference to the exact situation is necessary.

The appellant failed to file its brief and argument prior

to the submission of the case. The appellees thereupon filed a motion to dismiss and affirm which was submitted on the 6th day of October, 1924, and is for determination by the court. The appellees also filed their brief and argument. On the 7th day of October, 1924, the case was argued orally. At that time the court granted ten days to the appellant to file a brief and argument and gave additional time to the appellees to reply.

For the convenience of the court and for the purpose of particularly emphasizing certain outstanding facts, we call attention to the following:

1. This is an appeal from the findings of a three-judge court constituted under the provisions of Section 266 of the Judicial Code denying the application of the appellant for a temporary injunction.

2. The assessment complained of was made by the Executive Council of Iowa which Executive Council also finally equalizes the values of farm lands. In other words, we are dealing with one board which determines the final assessed value of both classes of property involved, namely, farm lands and railroad properties.

3. There is no evidence of bad faith on the part of the Executive Council of Iowa in equalizing upon the same relative percentage of assessed to actual value. The sole evidence submitted by the appellant being as to the undervaluation of farm lands and the value of its own property.

4. The ratio of assessed to actual value of farm lands is agreed upon as 61.3 per cent. The appellant offers no evidence to show that the Executive Council of Iowa did not in good faith equalize as between the two classes of property upon such basis.

5. There is no evidence in the record to show that the Executive Council of Iowa intentionally overassessed the property of the appellant. On the other hand, there is ample evidence upon which the Executive Council might properly find the value of the appellant's property on a basis of 61.3 per cent to be equal to or in excess of the assessed value fixed by it.

6. The evidence clearly shows that prior to the making of the assessment in question the Executive Council made an exhaustive investigation and research into railway values and particularly of the elements of value of the appellant's properties; that after a hearing in which counsel for appellant took part, the Executive Council in assessing appellant's property in Iowa *reduced the assessment* below what it had been for more than ten years.

7. There was evidence before the three-judge court upon which it properly denied the application for a temporary injunction.

In connection therewith we submit the following:

a. Exhibit D of Exhibit O, Transcript 150, offered by the appellees, being an analysis of the tentative value of the appellant's properties as fixed by the Bureau of Valuation of the Interstate Commerce Commission under the Valuation Act, with additions to December 31, 1921, shows the physical value of the appellant's properties in Iowa to be \$39,326,369. This as compared with the assessed value of \$22,506,104 is 56.7 per cent.

This exhibit is criticized. (Appellant's Exhibit 20, Transcript 129.) Deducting the full amount of the criticism, namely, \$2,394,051 as contained in this exhibit, the remaining value for Iowa is \$36,932,318. This, to the

assessed value of \$22,306,104 is 60.3 per cent as compared to 61.3 per cent, the ratio agreed upon.

b. Exhibit 1 of Exhibit X offered by the appellees shows the value of the physical properties of the appellant's properties in Iowa to be \$36,820,767 as of date June 30, 1916.

Exhibit 3 of Exhibit X, Transcript 143, brings this value to date as of December 31, 1921, the result being a total physical value in Iowa of \$41,224,654. The assessed value bears to the value thus fixed a percentage of 51.1 per cent as compared to 61.3 per cent, the ratio agreed upon.

It is only fair to state that the distinction between the conclusions in the two exhibits O and X is due to the inclusion in the latter of that value commonly referred to as the excess cost of acquisition of lands. Eliminating this the physical value is the same in both.

c. In its additional annual report to the Executive Council of Iowa for the assessment in question, Exhibit Q, Transcript 192, Table 6, Fol. 511, opposite page 196, the carrier presents as the total investment in road and equipment for its entire properties the sum of \$170,783,535.44. Giving full weight to the claim of the carrier that the total par value of the stock of the Mason City and Ft. Dodge Railroad Company of \$32,841,152 should be deducted (part of this should in any event be included), the resultant value is \$137,942,383.44. Allocating this value to Iowa on the basis of 50 per cent, which is less than the proper basis of allocation, such value in Iowa is \$68,971,191.72. The assessed value of \$22,306,104 bears to such value a ratio of 32.3 per cent as compared to 61.3 per cent, the ratio agreed upon.

d. The appellant avers, however, that the investment value as reported to the Executive Council of Iowa for the assessment in question is incorrect and that the true investment value as found by the Interstate Commerce Commission (Appellant's Argument, page 8 and Transcript 129) in its valuation of the appellant's properties is approximately \$73,000,000. Assuming that the investment value thus given is the true value, we find the investment value to have been as of date June 30, 1916, \$73,000,000.00. Allocating this value to Iowa on the basis of 50 per cent, the result is a value for Iowa of \$36,500,000. It may be well to note that this value is the admitted value of the carrier in its Exhibit 14, Transcript 129. Bringing this value to December 31, 1921, by the addition of Additions and Betterments assigned to Iowa as stated in appellant's Exhibit 20 (Tr. 129), amounting to a total of \$2,272,089, and the addition of working capital and materials and supplies on hand on December 31, 1921, amounting to \$2,135,745 (Tr. 150), the resultant value could be \$40,907,834. The assessed value of \$22,306,104 bears to such value a ratio of 54.5 per cent as compared to 61.3 per cent, the ratio agreed upon.

e. Exhibit C of Exhibit O, Transcript 148-149, is an analysis of the values of the physical properties of the appellant as submitted by it in Ex Parte 74 and in Docket 13293 before the Interstate Commerce Commission of the United States. The total value, after making all deductions and the depreciation allowed by the commission for the appellant's properties as of that date, being \$121,740,163. This value is allocated to Iowa on four different bases, namely, miles of line operated (51.89 per cent); miles of all track operated (47.48 per cent); transportation train miles (52.9 per cent); and car miles (50.72 per

cent), the average of which produces a value in Iowa of \$61,798,350. The ratio of the assessed value to this value is 56 per cent as compared with 61.3 per cent, the ratio agreed upon.

f. Exhibit B of Exhibit O (Transcript 146, Fol. 432) is an analysis of the physical values of the appellant's properties as shown by the annual reports to the Interstate Commerce Commission of the United States and the Board of Railroad Commissioners of the State of Iowa. This analysis covers the value of the carrier's property from the year 1912 to the year 1921, inclusive. The value in 1921, allocated to Iowa on the lowest possible basis of allocation, produces a value for Iowa of \$63,466,940. This value bears to the assessed value of \$22,306,104 a percentage of 35.1 per cent as compared with the ratio of 61.3 per cent agreed upon.

g. In addition, as indicative of value, it is shown that the appellant has outstanding the following securities (Exhibit Q, 195, Fols. 506 and 507):

1. First mortgage 4 per cent bonds due 1959.	\$ 25,383,000
2. Preferred stock.....	43,926,602
3. Common stock.....	45,210,513
4. Minneapolis Terminal gold bonds.....	250,000
5. M. C. & Ft. D. R. R. Co. 4 per cent bonds..	12,000,000
6. W. M. & P. R. R. Co. 4 per cent bonds....	6,232,000

Total	\$126,781,116
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If this total be allocated to the state of Iowa on the conservative basis of 50 per cent, it produces for Iowa, \$63,390,558. The assessed value of \$22,306,104 is 35 per cent of this figure as compared to 61.3 per cent, the ratio agreed upon.

Any one of the physical values heretofore described will more than sustain the assessment in question.

h. To all of the physical values as thus given there should be added the intangible values representing the going concern value, franchise value, good will, earning power and the value of unity of use and connected operation.

Mr. Thorne in his analysis of the intangible values of this property (Exhibit H of Exhibit O, Tr. 176) fixed a flat percentage of 9 per cent, to be added to the physical values as representing the total intangible values. It would seem that this percentage for intangible values is extremely low, but assuming it to be correct, the intangible values of the appellant's properties in Iowa is not less than \$3,500,000. This value added to the physical values on any basis produces a legitimate value which, under any and all circumstances, is sufficient to sustain the assessment on a basis of 61.3 per cent, the ratio agreed upon.

BRIEF

I

Under the laws of Iowa the Executive Council sits as one board vested with power and charged with the duty as a board of assessment, equalization and review to equalize the assessed values of property, including both lands and railroad property.

Secs. 1377, 1378 and 1379, Code 1897, as amended;
Secs. 1334, et seq. Supplement to Code, 1913.

(These sections are set out in full in the Appendix.)

II

The Executive Council of Iowa, sitting as a State Board of Equalization, has no power to generally increase

the assessments in all of the counties. Its sole duty is to equalize upon a uniform ratio.

Pierce v. Executive Council, 165 Iowa 465, 471;
Montis v. McQuiston, 107 Iowa 651.

ARGUMENT

I

It is first contended that there is evidence sufficient to disclose the fact that farm lands have been assessed at less than 100 per cent for a number of years. There is no controversy on this proposition. In other words, all of the evidence as to the underassessment of farm lands submitted by the appellant is immaterial because it is agreed by the parties that the assessed value of farm lands bears, to the actual value, a ratio of approximately 61.3 per cent. The trial court so found.

The fallacy of the appellant's argument lies in the fact that the issue here is not whether farm lands were assessed on the basis of 61.3 per cent, but whether the evidence discloses clearly that the property of the appellant was assessed as a part of a systematic scheme at a higher percentage of actual value. There is not the slightest evidence in the record to show that railroad property was assessed at a higher percentage of actual value than farm lands. In truth, the evidence discloses exactly the opposite, namely, that the Executive Council of Iowa sought to equalize upon the same relative and uniform percentage as between the two classes of property. This is exactly what they should have done and this is exactly what they did. *Sioux City Bridge Company v. Dakota County*, 260 U. S. 441.

The appellant cites a number of cases, including the following: *Sioux City Bridge Company v. Dakota*

County, 260 U. S. 441; *L. & N. R. R. Co. v. Greene*, 244 U. S. 522; *Taylor v. L. & N. R. R. Co.*, 88 Fed. 350. In each of the cases cited the court assumed jurisdiction upon the theory that one class of property had been assessed intentionally, systematically and continuously upon a higher percentage of assessed to actual value than that percentage of assessed to actual value which has been as a part of the scheme applied to another class of property. This, because of the fact that the result of the systematic application of a different percentage to the two classes of property resulted in a denial of the equal protection of the laws to the property owner whose property has been assessed upon the higher basis. This rule has been so repeatedly announced by this Court as to be fundamental. As we have heretofore stated, a different situation is presented in the case at bar. The Executive Council of Iowa did not seek to assess the property of the appellant upon a higher percentage than that at which farm lands had been by it equalized, but upon the same percentage.

Under the laws of Iowa the Executive Council sits as a board of assessment, equalization and review. It is vested with power, not only to assess railroad property, but also to equalize the assessed value of farm lands. Iowa Code Supplement, 1913, Sections 1334 et seq., Iowa Code, 1897, Sections 1377, 1378, and 1379.

A clear distinction exists between cases such as this, where one board fixed the final assessed value of both classes of property and a case where different boards do so. In such cases the presumption is that the board does that which it ought to do, namely, equalizes upon the same relative and uniform percentage, thus following the law and the constitution.

A different situation is presented where two boards

act. In such cases as a primary base, it is assumed that each follows the law and assesses upon a basis of 100 per cent. Proof of the undervaluation as a part of a systematic scheme of discrimination of a large class of property by one board would, in such cases, be sufficient, unless it be shown that the other board assessed upon the same percentage. In the case at bar, therefore, we begin with the conclusion that the Executive Council of Iowa did that which it ought to do under the law, namely, equalized as between the two classes of property.

Aside from the presumption to which we have referred, are also the proofs which show clearly that the Executive Council of Iowa did assess the appellant's property upon the same relative and uniform basis of assessed to actual value. (See original Brief of Appellees. See also appellees Motion to Dismiss and Affirm.)

In this connection attention is specifically called to the fact that after the most exhaustive study of the question (see Brief for Appellees, pages 50, 51 and 52), the assessing board finally reduced the assessed value of the appellant's property from \$30,000 per mile to \$29,000 per mile. The showing of good faith and the honest purpose on the part of the assessing board is complete, and negatives the claim that there was an intentional systematic discrimination.

II

Counsel for appellants refer repeatedly to the adoption by the assessing board of a wrong method. Such is not this case. There is no question involved of the adoption of a wrong method in fixing the value of the complainant's property. No allegation thereof is contained in the pleadings and no proofs were offered before the court. The sole question involved is did the Executive Council

of Iowa intentionally, systematically and continuously and as a part of a scheme assess the appellant's property upon a higher relative ratio of assessed to actual value than that applied to farm lands?

III

MARKET VALUE OF STOCKS AND BONDS

Counsel for appellant further contends that net income and the market value of its stocks and bonds are to be considered in determining the value of its property. With this contention we quite agree. There is no doubt but that both net income and the market value of its stocks and bonds are to be given weight in determining the value of a railroad property. The weight to be given, however, is within the sound discretion of the board specially vested, under the law, with power to fix the value. The value of a railroad property is not to be determined by the consideration of any one element, but by the giving of consideration to every element of value. The weight to be given each factor is one to be determined by the tribunal authorized under the law to find the value.

The evidence clearly discloses that the market value of stocks and bonds of the appellant's property as well as the net income for years was before the assessing board, and was given proper weight. (Exhibit S, Tr. 178.) It is fundamental that the court will not substitute its judgment for that of the tribunal, especially vested under the law with power to fix the value for assessment purposes. In this connection it may be interesting to note that in all of the cases determined by this court (save those cases involving the adoption of a wrong method), the court had uniformly adopted the value fixed by the assessing board

and, where relief has been granted, has simply applied to such value the proper percentage. (See cases cited, Brief for Appellees Division 3-A.)

Counsel for appellants, however, would have the court disregard every element of value and find the value, substituting it for the value fixed by the assessing board upon the sole basis of the market value of its stocks and bonds and certain sums averred to be the net income for a period of five years, capitalized. This contention is clearly erroneous and, it would seem, needs no answer.

To fix the value of a railroad property upon the sole basis of the market value of its stocks and bonds is fundamentally incorrect. Especially is this true in the case at bar. The period of time used is the five years immediately preceding December 31, 1921. This was an abnormal period and therefore an unfair period to use in determining the true value of securities.

Again, all of the securities of a railroad system are not bought and sold on the market in bulk. Only small, little fractions, ranging from one three-hundredths of one per cent to possibly one per cent are bought and sold. No investor will pay for a single share of stock or a single bond, dependent as it is on the policy of the company, what would be paid for the controlling interest in the company. Whenever the controlling interest is sold openly, the market value of its shares of stock increases by leaps and bounds, and in many instances exceeds by far the value of the properties of the company.

The single share of stock does not carry with it any semblance of control. It is not the property of the railroad which the purchaser buys, but an infinitesimal interest in the corporation. The purchaser is buying corporate policy as distinguished from the property of the corporation.

Again, the market value of stocks and bonds is dependent upon the rate of interest and dividends and interest paid. If the property of the corporation is worth one hundred cents on the dollar, the bond secured by the property is not necessarily worth one hundred cents on the dollar. There may be no connection between the market value of the securities and the value of the property back of the securities. An underlying bond, backed by property equal or exceeding in value its face, paying 7 per cent, might sell above par, whereas the same bond, secured by precisely the same property, paying an interest rate of 3 per cent would not sell at over sixty cents on the dollar. The value back of the property may be ample and sufficient to pay it, yet the rate of interest, the length of time it runs, and other factors have great weight in determining the value of the obligation in the market.

Again, as in the case at bar, a company may husband its resources, putting its income, gross and net, back into the property instead of paying it out by way of dividends, and it may have an established reputation of this kind. Inevitably, such a policy depresses the value of its stocks as compared to a company which pays larger dividends.

The market value of stocks and bonds fluctuate enormously, especially in abnormal times. This may be due to stock manipulations. It may be due to the flooding of the market with other securities. Whatever be the cause, the fact remains that stocks and bonds during the five years in question fluctuated very greatly. Again, if the company has a reckless history or absorbs, consolidates and reorganizes constantly, as in this case, we care not how valuable the property is, the market value of its securities is low.

The distinction always to be kept in mind is that the share of stock as property is entirely different from the

property of the corporation. The minority stockholder, and it is always the minority of stock that is sold, is helpless and wholly dependent upon the corporation in which he holds stock. Therefore, the wise investor is always cautious in purchasing stock to investigate not so much the value of the property of the corporation, as the policy of the company.

We have given consideration to a great many cases in which, as stated, the market value of stocks and bonds is given some weight. The following summary, we believe, will be found accurate:

1. Such decisions are relative very few in number.
2. In those rare exceptions where the market value of securities is given consideration, it is only considered incidentally, and is not controlling.
3. It is only in old cases that it is given any serious consideration.
4. It is never given controlling consideration where other factors are available.

See *Des Moines Water Company v. City of Des Moines*, 192 Fed. 193, 196; *People v. Commissioners of Taxes and Assessments*, 23 N. Y. 192; *People v. Coleman*, 126 N. Y. 433; *M. W. & S. R. Co. v. Morley*, 198 Fed. 991.

EARNINGS

Counsel for appellants in addition to its contentions relative to the market value of its securities refer to its affidavits showing the value of its properties arrived at by the capitalization of what it is pleased to term its net income.

As we have already stated, there is no doubt but that the net income is to be given consideration in determining

the final value of the appellant's property. The weight to be given it is to be determined by the assessment board. The evidence of net income is subject to many grave objections, among which are the following:

The period of time used was five years preceeding July 1, 1921. No consideration is given to the net income for the entire year 1921, whereas the value for assessment purposes is to be fixed as of date December 31, 1921.

Again, the period of time used was abnormal in character. In the year 1918 the Government took over and operated the railroads of the nation. The period of Government operation continued until March 1, 1920. The wages paid railroad workers and the cost of materials used increased during that period out of all proportion to the increase in freight rates. This was due partly to the fact that the Government operated the railroads primarily for the purpose of winning the war and not for the purpose of making profit. In a larger sense, perhaps, we may say that conditions changed so rapidly that changes in the freight rates in the very nature of things could not keep pace. This condition was recognized by Congress in the enactment of the Transportation Act in 1920 and by the Interstate Commerce Commission in its order increasing passenger fares, charges and freight rates. Such increased fares, charges and rates were by specific act of Congress to be fixed so that there would be a return to the carriers of 6 per cent upon the actual value of the properties used and useful for transportation purposes. The value used as to this carrier is shown by Exhibit T, (Tr. 179) as \$131,482,952. This value was finally by the Interstate Commerce Commission reduced 9.64 per cent. Such value was the earning value. We have already herein used such value and as shown it is more than suffi-

nient to sustain the assessment of the Executive Council on the basis of 61.3 per cent, the ratio agreed upon.

Again, the figures used for net income are taken arbitrarily from the books of the carrier and do not give any consideration to the normal or reasonable operating expense.

Without extending this argument on this point further, we make the final observation that the net income of this carrier was given consideration by the Executive Council of Iowa in fixing the assessed value in question, and its determination of the weight to be given is final.

Counsel cites two Iowa cases in which it is contended that net income is to be given consideration. As will have been observed, we do not question this fact. However, neither of the cases cited, namely, *City of Marion v. C. R. & M. R. R. Co.*, 120 Iowa 259 and *Marshalltown L. P. & R. Co. v. Wilkner*, 185 Iowa 165, are not in point. Both of these cases are appeals from the action of a local board of review. Under the laws of Iowa the District Court, as well as the Supreme Court, is vested with authority to increase or reduce assessments. In other words, the Court sits as an appellate assessment tribunal. A clear distinction lies between such cases and cases in which there is a collateral attack upon the action of an assessing board. Again, both of these cases hold that while net income is to be given consideration, it is not controlling. With this contention we quite agree. Again, both of these cases are under the general statute and are assessed at the market value of the property. As will have been noted by reading the original brief for appellees filed herein, it is not the market value of a railroad property that is to be considered as the assessment base, but rather the actual value of the property which is arrived at by

taking into consideration, first, the value of the structures, and then adding thereto the intangible values.

In direct contradiction of the contentions of the appellant, attention is called to the recent case of *Union Pacific Ry. Co. v. Council Bluffs*, (Iowa) 175 N. W. 6, in which the Court sitting as an appellate tribunal in assessments refused to take net income as the basis for fixing value, but used rather the original cost less depreciation. A capitalization of net income in such case would have resulted in a grossly increased figure over that finally determined upon by the Court and, as the Court properly said, it would far exceed the actual value of the property. The point we make is that net income is always to be given consideration as is gross income, the weight to be given each depending upon all of the facts and circumstances, and the determination of the matter honestly arrived at by the board will not be interfered with by the courts.

It may be interesting to note that if net income be taken and if the figures of the complainant carrier be used for certain of the years, particularly the year 1920, there would be no value to this property. Such a contention is absurd and foolish.

CONCLUSION

We have already extended this argument to an extreme length, but feeling as we do that when an assessment board in good faith seeks to equalize the assessed value of property, gives consideration to every contention made by the carriers, makes an exhaustive study of the problem in order to provide equality, that its action should not be overturned. In the case at bar we submit that the trial court was correct in its determination that the evidence was insufficient to show an intentional, systematic dis-

crimination and that its determination and interlocutory decree should be and must be affirmed.

Respectfully submitted,

BEN J. GIBSON, Attorney General,

NEILL GARRETT, Assistant Attorney General,

Solicitors for the Appellers.

APPENDIX

"Sec. 1377. Abstract. Each auditor shall, on or before the third Monday in June, make out, and transmit to the auditor of state an abstract of the real and personal property in his county, in which he shall set forth:

1. The number of acres of land and the aggregate actual and taxable values of the same, exclusive of town lots, returned by the assessors, as corrected by the county board of review;

2. The aggregate actual and taxable values of real estate in each township, city and town in the county, returned as corrected by the county board of review;

3. The aggregate actual and taxable values of personal property;

4. An abstract as to the number and value of all animals as the same are returned by the assessor, showing the aggregate actual and taxable values and number of each kind or class, and such other facts as may be required by the state board of review."

"Sec. 1378. State board of review. The executive council shall constitute the state board of review, and shall meet at the seat of government on the second Monday of July in each year. The auditor of state shall be the clerk of the board, and shall lay before it the abstracts transmitted to him by the auditor, as required by the preceding section."

"Sec. 1379. Ch. 139, 37th G. A. Adjusting valuation in counties. It shall adjust the valuation of property of the several counties, adding to or deducting from the valuation of each kind or class of property such percentage in each case as will bring the same to its taxable value as fixed in this chapter, but before such executive council shall add to the valuation of any kind or class of property any such percentage, it shall serve ten days' notice by mail, on the auditor of the county whose valuation is proposed to be raised and shall hold an adjourned meeting after such ten days' notice, at which time such county may appear by its board of supervisors, county

attorney, or otherwise, and make written or oral protest against such proposed raise, which protest shall consist simply of a statement of the error, or errors, complained of with such facts as may lead to their correction, and at such adjourned meeting final action may be taken in reference thereto."

Office Supreme Court, U. S.

FILED

OCT 6 1924

WM. R. STANSBURY

CLERK

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OCTOBER TERM, A. D. 1924

THE CHICAGO, ROCK ISLAND AND PACIFIC
RAILWAY COMPANY,

Appellant,

V.

NATHAN E. KENDALL, GOVERNOR OF THE
STATE OF IOWA, ET AL,

Appellees.

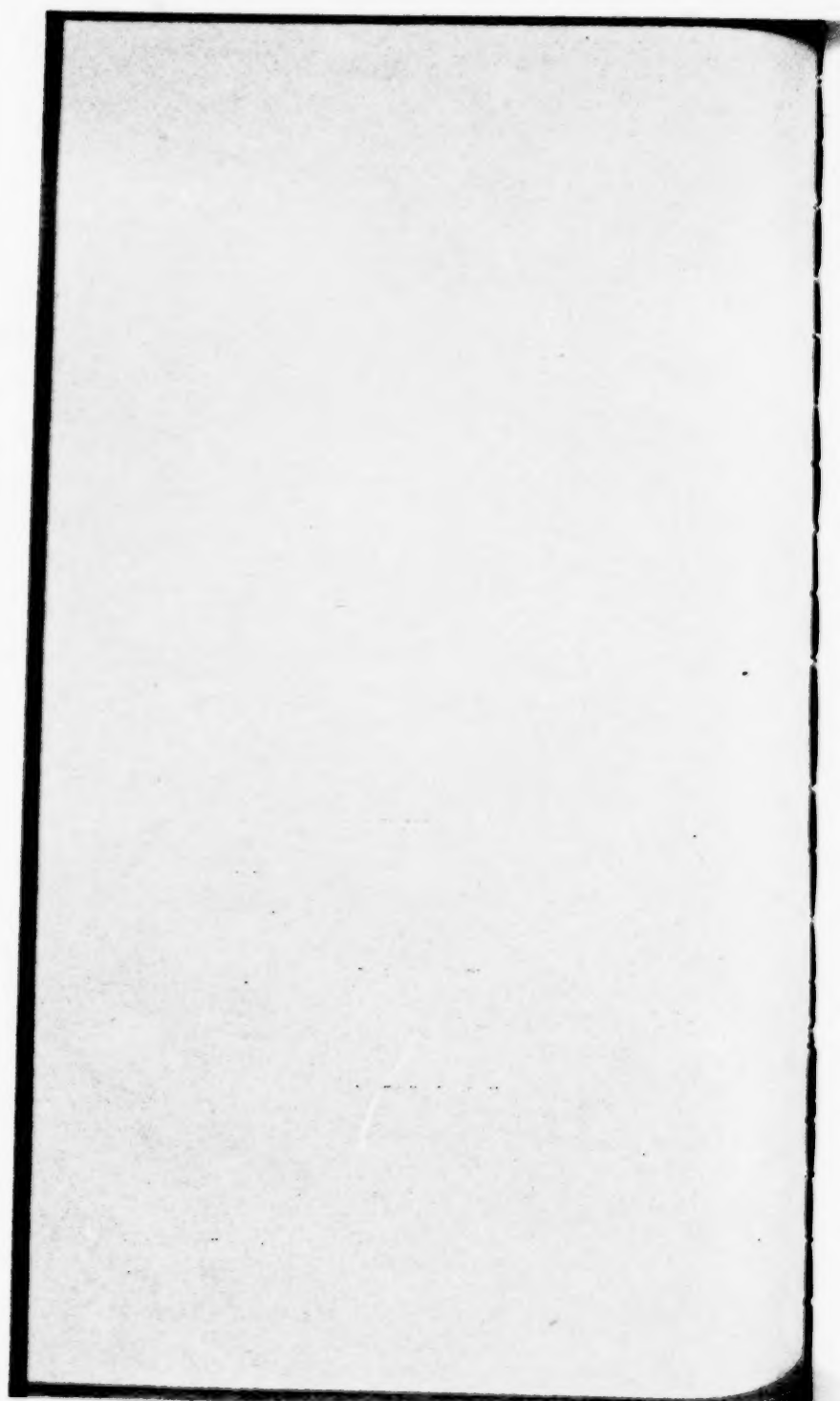
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BRIEF FOR APPELLEES.

BEN J. GIBSON, Attorney General,

NEILL GARRETT, Assistant Attorney General,

Counsel for Appellees.



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IN THE
**Supreme Court of the
United States**

OCTOBER TERM, A. D. 1924.

THE CHICAGO, ROCK ISLAND AND PACIFIC
RAILWAY COMPANY,

Appellant,

V.

NATHAN E. KENDALL, GOVERNOR OF THE
STATE OF IOWA, ET AL.

Appellees.

STATEMENT OF FACTS

This is an appeal from an order and decree of the District Court of the United States, for the Southern District of Iowa, constituted under the provisions of Section 266 of the Judicial Code, denying the application of the Appellant for a temporary injunction.

The Appellant filed in the District Court, its bill, challenging the validity of the assessment of its properties for the year 1922 by the Executive Council of Iowa.

Upon the filing of the bill, the District Court issued a temporary restraining order, restraining the Executive Council of Iowa from certifying, as provided by law, the assessment in question. Thereafter there was organ-

ized a three-judge court, composed of Kimbrough Stone, Circuit Judge, Thomas E. Munger and Martin J. Wade, District Judges. To this court the case was submitted. After evidence had been introduced and arguments heard, the court entered its written opinion, order and decree, denying a temporary injunction and dissolving the restraining order.

Thereafter and on the tenth day of November, 1922, this appeal was allowed and pending the appeal a supersedeas was granted staying eight per cent of the assessment, all conditioned upon the filing by the appellant of a bond conditioned upon the payment of the taxes finally determined to be legal, together with penalties and interest.

The bill of the appellant as filed in the District Court charges that farm lands have been assessed under the laws of Iowa systematically and continuously and in **conformity to a general scheme upon a basis of thirty-eight per cent of actual value**, whereas the Executive Council of Iowa intentionally and therefore fraudulently assessed the appellant's property in the year 1922 upon the basis of seventy-five per cent of actual value. There is no claim that the Executive Council of Iowa misinterpreted the law or applied a wrong method in finding the value of the appellant's property. The only claim is that it intentionally discriminated in applying a higher percentage of actual value to appellant's properties than to farm lands. The issues, the proofs and the facts are very carefully and simply stated by the three-judge court in its opinion rendered herein. We quote this opinion:

"These are hearings upon applications for temporary injunctions on separate bills filed by the Chicago, Rock Island & Pacific Railway Company, and

the Chicago Great Western Railroad Company, respectively. The applications were heard together and both will be covered in this opinion.

"These complainants challenge the validity of assessments for taxation of the railway property of complainants by the Executive Council of the State of Iowa. The Rock Island claims that farm lands are assessed at slightly over 38 per cent of actual value; that, with knowledge of this undervaluation of farm lands, the Executive Council intentionally assessed its property at 75 per cent of actual value. The Great Western claims the same as to farm lands and that its property was intentionally assessed at 115 per cent of actual value. A reduction in the valuation by the council, after the Great Western filed its bill, would reduce this claimed percentage slightly over 111.5 per cent of actual value.

"There is no claim that the council misinterpreted the law governing their action. The claim is that it intentionally discriminated in applying the law.

"There is no material difference between counsel on the point that if such intentional discrimination exists, under the Iowa laws, it may be examined and prevented by the courts. Allegations of violation of provisions of the Federal Constitution amply sustain the jurisdiction of this court. Such jurisdiction has been upheld in many cases, among which are: *Wallace v. Hines*, 253 U. S., 66; *Greene v. Ry.*, 244 U. S., 499; *Raymond v. Traction Co.*, 207 U. S., 20, and *State Railroad Tax Cases*, 92 U. S., 575. Therefore, this court has, under the allegations of the complainants, jurisdiction of these cases and must examine and determine them.

"At the threshold of this examination it is of vital importance to state the limits within which this inquiry must be confined. Assessment of taxes is essentially a legislative function. *State Railroad Tax Cases*, 92 U. S., 575, 615. Courts cannot act as boards of review to correct errors in legislative judgment. They act only to restrain legislative action to its legal boundaries. The Executive Council is clothed by the Statutes of Iowa with full power to determine the value of these railway properties for

general taxation purposes. This power, however, is restricted and defined by those statutes and by the state constitution. Of those restrictions, the ones here vital relate to quality of valuation. Because of differences in character, the statutory methods of determining value are different in the case of railroad property and of ordinary land and personal property. However, the statutes are clear that the ultimate aim and requirement is that property in each of the above classes shall be assessed at full actual value (Secs. 1305, 1334-A and 1336 Iowa Code.) The rate of taxation applicable to all of the above classes of property is the same, so that inequality of assessment results in inequality of taxation. It is not, however, every inequality of assessment which can be corrected by the courts. As said by Mr. Justice Miller (*State Railroad Tax Cases*, 92 U. S., 575, at 612), 'perfect equality and perfect uniformity of taxation as regards individuals or corporations, or the different classes of property subject to taxation, is a dream unrealized.' And when the most perfect system is sought to be honestly applied to all the different classes and items of property in a great state like Iowa the result must be saturated with the inequalities and inaccuracies inevitably attending the fallibility of human judgment applied to such a complex situation. To correct such inequalities and inaccuracies is not the function of courts. First, for the legal reason that the determination of such matters is a legislative function; and, second, for the practical reason (as said by Justice Miller in the above case, p. 610), 'as a valuation of property is more or less matter of opinion, we see no reason why the opinion of this court, or of the Circuit Court, should be better, or should be substituted for that of the board, whose opinion the law has declared to be the one to govern in the matter.' But when the assessing body does not exercise its judgment fairly and honestly, an entirely different situation, both legally and practically, exists. The law gives every taxpayer the legal right to the honest, fair judgment of the assessors as to the value of his property for taxation purposes. The method of enforcing this

right is by invalidating the assessment wrongfully made and enjoining its enforcement. This limit of judicial action, in tax assessment matters, to instances where the allegations and the proof show willful, intentional wrong valuation, has been established by many cases in the Supreme Court. Application of the doctrine is well illustrated in *Albuquerque Bank v. Perea*, 147 U. S., 87; *Sunday Lake Iron Co., v. Wakefield*, 247 U. S., 350; *Raymond v. Traction Co.*, 207 U. S., 20, and *Greene v. Ry.*, 244 U. S., 499. In the Albuquerque Bank and Sunday Lake Iron Co. cases, the court refused to interfere. In the Raymond and Greene cases, injunctions issued and were upheld.

"Therefore, the inquiry here is not whether the property of these complainants was overassessed as compared with farm lands but whether the Executive Council intentionally so overassessed such property. The complainants allege that such was the case.

"We start into the proof with the presumption that the council did its duty and made no intentional overassessment. Nor is overassessment necessarily sufficient, standing alone, to prove intentional overassessment. Complainants have the burden of proving both overassessment and an intention to overassess. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S., 350, 353. In the absence of direct evidence, intention may be inferred from surrounding and attendant circumstances. We may examine the action of the council in the light of the facts before it and upon which it must have based its action.

"As to farm land values, we are aided by a stipulation which places the average value in the state at \$125.00. The average assessment, by the local boards, was \$76.00. This was a fraction over 61 per cent of actual value. It seems to be conceded by counsel for the respondents that respondents knew of this underassessment. If not conceded, the proof is ample that they did know it. Therefore, in assessing complainants' property, they were obligated to apply a relatively similar percentage of valuation. Does the evidence convince that they failed to do so and that such failure was intentional?

“In endeavoring to answer this question, it is important to recognize and give weight to the character of the problem before the council. That problem was to ascertain the value of the property in Iowa of two large interstate railway systems. The statutes of Iowa contemplate that the council shall, in such cases, assess the ‘entire railway within the state’ (Sec. 1336, Code). It includes all real estate (Sec. 1334-A and 1336 Code), personalty (Sec. 1336 Code) and intangibles (Sec. 1336 and 1334 and 1340-A Code). It is contended by complainants that intangible property is not included but we think the above sections are intended to cover such property and the valuation is to be upon the entire property as a going concern. The difficulties of ascertaining the value of a single, simple thing as a house, a building or a tract of land are evident and have been experienced by every court. How infinitely much more complicated and difficult must always be the valuation of a large railway property! For a half century the courts have struggled with this problem and have not yet settled even the bases to be used in determining such value. There have been innumerable cases before the Supreme Court involving the valuation of large public utilities for taxation and rate purposes. In no one of them has it been laid down that any particular basis or method of ascertaining such value was exclusive or controlling. The most that has been decided is that certain bases or methods bore directly upon value and were useful in determining it. Such recognized bases are cost price, reconstruction cost price, market value of stocks and bonds and capitalization of net income. The uncertainties concerning selection of any one basis, or combination of bases, as a standard of value is also made evident by the sharp conflict between economists, accountants and students of this subject. They never have agreed and they do not now agree. This uncertainty is further emphasized in these cases where counsel for the Rock Island present six bases (par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent,

capitalization of government rental at 6 per cent and property investment as shown in Ex Parte No. 74, a valuation proceeding by the Interstate Commerce Commission), the Great Western presents five (physical value, capitalization of net earnings in Iowa at 5 per cent, market value of stocks and bonds, capitalization of net earnings allocated to Iowa at 5 per cent, government rental capitalized at 5 per cent) and respondents present three (investment cost, reproduction cost and valuation under Ex Parte No. 74).

"The difficulty does not stop with the bases of value. It continues into the bases of allocation to Iowa of a proper proportion of the non-fixed property and intangibles. There are, at least, twelve different bases suggested in these cases. As to the Great Western, the six bases suggested by it do not widely vary, the extreme percentages to Iowa being 49.97 per cent and 54.55 per cent. As to the Rock Island, the variation is from 7.25 per cent to 29.63 per cent. As to the Rock Island the respondents contend for a ratio to Iowa of 27.4 per cent.

"All of these theories as to bases of values and bases of allocation were before the council. We are not informed as to which of these theories or combinations of theories the council adopted or what weight it gave to any one or more. All of these bases have some logical bearing upon the matter. As no one has been settled upon, in the decisions, as controlling, the propriety of selection remains a matter of fact (*Grosbeck v. Ry.*, 250 U. S. 607, 615) to be determined by the council, which is the body required by law to make the assessment. In the absence of evidence as to the bases employed, we cannot impugn the good faith of the council if the result reached by it is substantially justified by the application of any one, or combination, of these bases to the facts before it. Nor, direct evidence of intent being present can we impute bad intention if (aside from all theories of valuation and allocation) the council had before it direct evidence of value which rational men would use and which could justify the result reached.

“There remains the test of the intent of the council in the light of the above considerations and of the facts before it. We were told at argument that the council had before it all of the facts here presented. In considering the facts, the evidence is different as between the two complainants and each must, therefore, be considered separately.

THE ROCK ISLAND

“The affidavit of I. A. Hermany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent, capitalization of government rental at 6 per cent, and value under Ex Parte No. 74. These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on six different bases. Using all of these factors and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result, and, therefore, either of the method or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess of \$40,500.00 per mile in Iowa on a mileage of 2,202.335 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be true, the council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate ‘business.’ However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some

one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the council, the ratio of assessed value would be slightly over 60 per cent as against 61 plus per cent for farm lands.

"There was, however, before the council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Interstate Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the commission; the protest filed by the company to the tentative valuation findings of the Interstate Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the commission shows a total valuation of over \$137,500,000. It seems doubtful whether the item therein of 'General Expenditures,' totalling over \$14,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00. If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50 per cent as compared with 61 plus per cent for farm lands.

"The above protest filed by the company with the Interstate Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66 per cent thereon as compared with 61 per cent for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

"In the above annual report to the stockholders

for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81 per cent (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 per cent plus as against 61 per cent plus for farm lands.

"In view of the above possible findings, based on evidence before it, we cannot say that the council intentionally overassessed this property.

THE GREAT WESTERN

"We apply the same reasoning and examination, as above, to the evidence concerning this carrier. On the basis of physical values, as tentatively determined by the Interstate Commerce Commission, the assessed value is 66 per cent plus if the figures of the carrier be correct or 54 per cent plus if the figures of the respondents are right. Using the reports of the Iowa Railroad Commission and the Executive Council for 1921, the system value is at least \$120,000,000.00. The parties agree that approximately 50 per cent is a fair basis for allocation. Such would give \$60,000,000.00 for Iowa value. The assessed value is less than 40 per cent thereof. Using this same method as to the value found in Ex Parte No. 74, the result is slightly above 40 per cent.

"We conclude, therefore, that the council cannot, on evidence which includes the above, be found to have intentionally overvalued the property of this complainant.

"In the above valuation of the two roads, no account has been taken of intangible values. We have thought it unnecessary to investigate the amount of such values because the showing as to physical values is, in our judgment, sufficient to defeat these ap-

plications for temporary injunctions. We do not say the above methods are, in our opinion, the best to use in ascertaining the values sought but we do think that men honestly seeking such values might rationally use the above methods and figures as a basis.

"Some of these figures have been attacked by the carriers as to some items included therein. It was within the province of the council to reject these contentions and we are not here to review such action as to facts before them. In most instances, an approval of such contentions would not vary the above percentages sufficiently to cast a shadow upon the good faith of the council.

"Our conclusion is, therefore, that the applications should be and they will be denied."

BRIEF

DIVISION I

A

Section 2 of Article VIII of the Constitution of Iowa does not prohibit the legislature from enacting laws for the taxation of the property of corporations or individuals by classes. The rule is that all corporations and natural persons engaged in the same business must be taxed alike but that different classes of property need not be so taxed.

Michigan Central Railroad Co. v. Powers, 201 U. S. 245, 293, 302;

Hunter v. Colfax Cons. Coal Company, 175 Iowa, 254, 287, 289; 154 N. W. 1037; (Amended) 157 N. W. 145;

Waterloo Rapid Transit Co. v. Bd. of Supervisors, 131 Iowa, 237; 108 N. W. 307;

The Scottish U. & N. Insurance Co. v. Herriott, 109 Iowa, 606; 80 N. W. 665;

Cooley on Taxation, Third Edition, Volume 1, page 291, 365;

In Re Railroad Tax Cases, 92 U. S. 575;
In Re Railroad Tax Cases, 115 U. S. 321;
Columbus & S. R. Co. v. Wright, 151 U. S. 470;
Gray's "Limitations of Taxing Power," Page 647.

B

Section 6 of Article I of the Constitution of Iowa does not prohibit the legislature from enacting laws which operate uniformly upon the individuals of a class to which such laws apply. If, in operation, such laws apply to all persons or citizens in like situation, and within the same class, then there is no offense against the provisions of this section.

Jones v. G. & C. U. Railroad Co., 16 Iowa, 6;
Welch v. C. B. & Q. Railroad Co., 53 Iowa, 632; 6 N. W. 13;
Hawkeye Insurance Co. v. French, 109 Iowa, 585; 80 N. W. 660;
The Scottish U. & N. Ins. Co. v. Herriott, 109 Iowa, 606; 80 N. W. 665.

C

Section 6 of Article I of the Constitution of Iowa does not prohibit the enactment of statutes providing for the uniform assessment and taxation of property by classes.

United Express Co. v. Ellyson, 28 Iowa, 370;
Warren v. Henly, 31 Iowa, 31;
Dubuque v. Railroad Co., 47 Iowa, 196;
Dunleith v. Dubuque, 32 Iowa, 427;
Hawkeye Insurance Co. v. French, 109 Iowa, 585; 80 N. W. 660;
The Scottish U. & N. Ins. Co. v. Herriott, 109 Iowa, 606; 80 N. W. 665;
Des Moines v. Bolton, 128 Iowa, 108; 102 N. W. 1045;
State v. Fairmont Creamery Co. of Neb., 153 Iowa, 702; 133 N. W. 895;

Waterloo Rapid Transit Co. v. Board of Supervisors, 131 Iowa, 237; 108 N. W. 307.

D

The legislature is not bound by the provisions of Section 2, Article VIII of the Constitution of Iowa to assess or tax the properties of corporations in one class upon the same basis as the property of individuals or corporations in other classes.

Davenport v. Railroad Co., 38 Iowa, 633;
Dubuque v. Railroad Co., 47 Iowa, 196;
Central Iowa R. R. Co. v. The Board, 67 Iowa, 199;
25 N. W. 128;
Davenport v. Railroad Co., 16 Iowa, 348;
Railroad Co. v. Dubuque, 17 Iowa, 120;
United Express Co. v. Ellyson, 28 Iowa, 370;
Hunter v. Colfax Cons. Coal Co., 175 Iowa, 245;
154 N. W. 1037; (Amended) 157 N. W. 145;
Iowa Mutual Tornado Insurance Ass'n v. Gilbertson, 129 Iowa, 658; 106 N. W. 153.

E

A like construction has been placed upon the equal protection clause of the 14th Amendment to the Constitution of the United States.

Pacific Express Co. v. Seibert, 142 U. S. 339; 349;
Railroad Co. v. Pennsylvania, 134 U. S. 232;
Gray's "Limitations of Taxing Power," Page 647.

DIVISION II

A

The assessment of taxes is essentially a legislative function.

State R. R. Tax Cases, 92 U. S., 575, 615.

B

Farm lands and railway properties under the statutes of Iowa are placed in separate and distinct classes for taxation purposes.

Section 1305, Code Supplement 1913;
Sections 1334, 1334-a, 1334-b, Supplement to the Code 1913;
Sections 1335 and 1336, Code 1897 and succeeding sections.

The provisions of Section 1305 of the Code Supplement 1913 apply only in the absence of a specific statute providing another and different method of valuation.

C

The legislature has provided many different methods of fixing the assessment value or base of property.

Section 1310, Code Supplement 1913;
Section 1314, Code 1897;
Section 1315, Code 1897;
Section 1318, Code 1897;
Section 1319, Code 1897;
Section 1321, Code Supplement 1913;
Section 1322, Code Supplement 1913;
Section 1323, Code 1897;
Sections 1330, 1330-a, Code Supplement 1913;
Section 1333, Code Supplement 1913;
Section 1333-a, Code Supplement 1913;
Section 1336, Code 1897;
Section 1340, Code 1897;
Section 1342-a, Code Supplement 1913;
Section 1343, Code 1897;
Sections 1346-d, 1346-e, Code Supplement 1913;
Section 1347-a, Code Supplement 1913;
Section 1350, Code 1897.

D

Railway properties are valued for taxation purposes under special provisions of the statutes.

Sections 1334, 1334-a, 1334-b, 1334-c, 1337, 1337-a, 1340, 1340-a, 1340-b, 1340-c, 1340-d, 1340-e, 1340-f, Code Supplement 1913 and Sections 1335, 1336, 1338, 1339, 1341 and 1342 of the Code 1897.

E

The executive council is clothed with full power and authority to find and to determine the assessment base or value of railway properties.

Section 1334, Code Supplement 1913, *et seq.*

F

Farm lands are assessed only in odd-numbered years, therefore, the executive council had nothing to do with the assessment of farm lands in the year 1922.

Section 1350, Code 1897.

G

The Executive Council of Iowa, sitting as a State Board of Equalization, has no power to generally increase the assessments of land in all of the counties. Its sole duty is to equalize among the several counties.

Pierce v. Executive Council, 165 Iowa, 465, 471;
Montis v. McQuiston, 107 Iowa, 651.

DIVISION III

A

Courts will not assume jurisdiction nor interfere with an assessment made by an assessing board, unless it ap-

pears that said board discriminated against a certain class of property by intentionally, knowingly and systematically assessing it at a higher percentage of actual value than it intentionally assessed other classes of property. Even then the courts merely reduce the assessed value of such overassessed property to the same relative basis at which other property was assessed.

Sioux City Bridge Co. v. Dakota Co., 67 L. Ed. 340, 343;

Greene v. L. & N. R. R. Co., 244 U. S. 499;

Taylor v. L. & N. R. R. Co., 88 Fed. 350;

Albuquerque Bank v. Perca, 147 U. S. 87;

Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350;

Raymond v. Traction Co., 207 U. S. 20.

B

In a suit to restrain and to enjoin an assessment, it is not sufficient to prove the undervaluation of other classes of property or of other property within the same class. Such undervaluation must be intentional, continuous and habitual.

C. G. W. Railway Co. v. N. E. Kendall, opinion of the Three-Judge Court on file herein;

Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350;

Southern R. R. Co. v. Watts, 67 L. Ed. 375; 260 U. S. 519;

C. B. & Q. Ry. Co. v. Babcock, 204 U. S. 585;

Coulter v. L. & N. R. R. Co., 196 U. S. 599;

Sioux City Bridge Co. v. Dakota County, 43 Sup. Ct. Rep. (U. S.) 190; 67 L. Ed. 340, 343.

C

The burden of proving both overassessment and an intention to overassess is on the appellant.

Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350; 353;

- McDermott v. Mahoney*, 119 Iowa, 470; 93 N. W. 499;
Brackett v. Commonwealth, 111 N. E. 1036 (Mass.).
Bituminized Brick & Tile Co. v. Simons Brick Co., 192 Pac. 528 (Cal.).

D

Mere errors of judgment do not support a claim of discrimination, but that there must be something more—something which, in effect, amounts to an intentional violation of the essential principle of practical uniformity.

- Sioux City Bridge Co. v. Dakota County*, 67 L. Ed. 340, 343;
Southern Ry. Co. v. Watts, 260 U. S. 519;
Sunday Lake Iron Co. v. Wakefield Twp., 247 U. S. 350, 353, 62 L. Ed. 1154, 1156, 38 Sup. Ct. Rep. 495;
State R. R. Tax Cases, 92 U. S. 575, 612.

E

It is fundamental that the construction placed upon the constitution of a state by the court of last resort of the state is binding upon the federal courts.

- In Re Gilligan*, 206 U. S. 563;
Corington v. First Natl. Bank, 198 U. S. 100; 40 L. R. A. (N. S.) 447 (Note).

F

Letters may constitute written admissions and in order to render them admissible in evidence it is not necessary that they shall have been sent to the party offering them.

- Castner v. C. B. & Q. R. Co.*, 126 Iowa, 581; 102 N. W. 499;
Nichols Shepard Co. v. Ringler, 135 Iowa, 181; 112 N. W. 543;

- Steele Smith Groc. Co. v. Potthast*, 109 Iowa, 413;
80 N. W. 517;
Auto & Supply Co. v. Jeffrey & Co., 139 Iowa, 7, 10;
La Abra Silver Mining Co. v. United States, 175
U. S. 423, 498;
Xenia First National Bank v. Stewart, 114 U. S.
224, 228.

G

Reports made by a railroad corporation under the provisions of a statute to the Board of Railroad Commissioners of Iowa, are admissible in evidence as public records and as admissions in any case where their contents are material. The statute does not specify or limit the uses to which they may be put.

- Section 2143, Code 1897;
Brackett v. Commonwealth, 111 N. E. 1036
(Mass.).

H

Reports to the Interstate Commerce Commission by a railroad corporation are public records and are admissible in evidence in all judicial proceedings.

- Section 16, Interstate Commerce Act, as amended;
Paragraph 12, Sec. 8584, United States Compiled
Statutes 1916;
Hanish v. United States, 227 Fed. 584, 585 (Ill.),
Sanborn, J.

I

The annual reports and books of a corporation are admissible in evidence against it as admissions.

- Smith v. Martin*, 106 Atl. 666 (Vt.);
Bailey v. Railroad Co., 89 U. S. 604;
Vicksburg, etc., R. Co. v. Putnam, 118 U. S. 545;
N. Am. Bldg. Ass'n v. Sutton, 35 Pa. St. 463;

Foster v. White Cloud City Co., 32 Mo. 505;
La Abra Silver Mining Co. v. U. S., 175 U. S. 423,
498.

J

Pleadings filed in another case containing admissions, are competent evidence against the party making them in another suit as admissions of the facts stated.

Pope v. Allis, 115 U. S. at p. 370;
Gen'l Electric Co. v. Clark & Sons Co., 108 Fed. 170.

K

A written statement is none the less competent as an admission because it is contained in a document which is not itself effective for the purpose for which it was made.

Snyder v. Reno, 38 Iowa, 329;
Turrentine v. Grigsby, 118 Ala. 380; 23 So. 666.

L

Where two writings are clearly connected the admission of one renders the other competent.

Section 4615, Code 1897;
Seever v. Cleveland Coal Co., 158 Iowa, 574; 138
N. W. 793;
Jones v. Hopkins, 32 Iowa, 503;
Williams v. Donaldson, 8 Iowa, 108;
Veiths v. Hagge 8 Iowa, 163, 189;
Walkley v. Clarke, 107 Iowa, 451;
Hutton v. Doersee, 116 Iowa, 13.

DIVISION VI

A

In the absence of specific direction in the statutes, the selection of the method of determining the assessed value is a matter of fact to be determined by the assessing body.

Groesbeck v. Ry., 250 U. S. 607, 615.

B

For taxation purposes the minimum value is the value of the physical property.

Baker v. Druesdow, 68 L. Ed. Advance Op. 53;

Railroad Tax Cases, 92 U. S. 575;

Ohio Tax Cases, 232 U. S. 590;

Westshore Ry. Co. v. State Bd. of Assessors, 82 N. J. L. 41; 81 Atl. 352;

Morrison v. Manchester, 58 N. H. 551;

Boston R. R. Co. v. State, 62 N. H. 649;

C. N. W. Ry. Co. v. Evcland, 285 Fed. 425;

Branson v. Bush, 251 U. S. 182;

Per Curiam Opinion on Temporary Hearing
Herein.

C

The method most frequently used by courts and commissions to determine the present physical or structural value of a railroad or public utility property is the cost of reproduction method.

Mo. Ex Rel. S. W. Bell Tel. Co. v. Pub. Serr. Com.,
67 L. Ed. 981; 262 U. S. 276;

Bluefield Water Works Co. v. Pub. Service Com.,
261 U. S. 679;

Southern Ry. Co. v. Watts, 260 U. S. 519;

Des Moines Gas Co. v. Des Moines, 238 U. S. 153;

Kansas City Southern R. R. Co. v. United States,
231 U. S. 423, 445;

- Minnesota Rate Cases*, 230 U. S. 352, 434, 453, 454, 458;
Willcox v. Consolidated Gas Co., 212 U. S. 19, 41, 52;
Stanislaus Co. v. San Joaquin, 192 U. S. 201;
San Diego Land & Town Co. v. Jasper, 189 U. S. 439, 442;
Cotling v. Kansas City Stock Yards Co., 183 U. S. 79, 91;
San Diego Land & Town Co. v. National City, 174 U. S. 739;
Smith v. Ames, 169 U. S. 466;
Ames v. Union Pac. R. R. Co., 64 Fed. 165;
Des Moines Gas Co. v. Des Moines, 199 Fed. 204.

D

The distinction between value for rate-making purposes and value for taxation purposes is that in taxation matters other elements of value are to be added, which cannot be included in rate-making values. The elements of value common to both, have the same value regardless of the purpose of the valuation.

- Harvard Law Review for May, 1920, p. 902;
Omaha v. Omaha Water Co., 218 U. S. 180, 202, 203;
Nat'l Waterworks v. Kansas City, 62 Fed. 853, 865;
Ames v. Union Pacific Railway Co., 64 Fed. 165, 176;
San Diego Land & Town Co. v. National City, 74 Fed. 79, 83, 84; 174 U. S. 739, 757, 758;
San Diego Co. v. Jasper, 189 U. S. 439;
Stanislaus County v. San Joaquin, 192 U. S. 201.

E

It is proper to allocate value to the state of Iowa on the milenge prorata basis in the absence of a clear showing that such method works an injustice or is grossly unfair, either to the state or the complainant.

- L. & N. R. R. Co. v. Green*, 244 U. S. 522, 548;
State R. R. Tax Cases, 92 U. S. 575, 608, 611;
Pullman Palace Car Co. v. Penn., 141 U. S. 18, 26;
Pittsburgh, etc., R. R. Co. v. Backus, 154 U. S. 421,
430, 431, 444;
Western Union Telegraph Co. v. Taggart, 163 U. S.
1, 26, 27;
Fargo v. Hart, 193 U. S. 490, 499;
Columbus So. R. R. Co. v. Wright, 151 U. S. 470,
479, 480;
Western Union Telegraph Co. v. Gottlieb, 190 U.
S. 412;
Western Union Telegraph Co. v. Mass., 125 U. S.
530;
Postal Telegraph Co. v. Adams, 155 U. S. 688;
Adams Express Co. v. Ohio State Auditor, 165
U. S. 194;
Branson v. Bush, 251 U. S. 182;
Westshore R. R. Co. v. State Bd. of Assessors, 82
N. J. L. 38; 81 Atl. 352.

F

The branch or feeder lines of a railroad must be considered as a part of the system, and the net earnings allocated to such lines on the mileage prorate basis is unfair.

- R. & S. Ass'n v. Ry. Co.*, 18 I. C. C. 440, 485;
N. J. Jct. R. R. Co. v. Assessors, 84 N. J. L. 413;
Union Pac. R. Co. v. Christensen, 275 Fed. 6;
Atl. & S. L. R. R. Co. v. State, 60 N. H. 133;
Louisville & N. R. Co. v. Bosworth, 209 Fed. 380;
Branson v. Bush, 251 U. S. 181, 187.

DIVISION VII

A

The co-ordinating of the "bare-bones" of a railroad property into an efficient working organism, and the development of such a plant into an established going busi-

ness, adds to the value of the bare physical property an additional value due to the existence of these elements known as "going concern value."

- Omaha v. Omaha Water Company*, 218 U. S. 180;
Cedar Rapids Gas Light Co. v. Cedar Rapids, 144
Iowa 426; 223 U. S. 665, 670;
Des Moines Gas Co. v. Des Moines, 238 U. S. 153,
165;
Denver v. Denver Union Water Company, 246 U. S.
178, 192;
Knorrville v. Knorrville Water Co., 212 U. S. 1;
Willcox v. Consolidated Gas Co., 212 U. S. 19.

B

"Franchise Value" is that element of value inherent in a railroad property represented by franchises and privileges, and is included in a value for taxation or exchange purposes.

- N. W. R. R. Co. v. Exeland*, 285 Fed. 425, 435;
Opinion filed herein denying application for temporary injunction;
State Railroad Tax Cases, 92 U. S. 575, 606;
Ohio Tax Cases, 232 U. S. 590;
Willcox v. Consolidated Gas Company, 212 U. S.
19;
Monongahela Navigation Co. v. U. S., 148 U. S. 312.

C

Earning capacity is an element of value inherent in a railroad property, and is due to its favorable location with reference to command of traffic-producing industries along its line, its advantage of connections, potential traffic in its tributary territory and location features, present and prospective.

- Monongahela Navigation Company v. U. S.*, 148
U. S. 312 (Condemnation Case);

Cleveland, Cinn., Chicago & St. Louis Railway Co. v. Backus, 154 U. S. 439, 445 (Tax Case);
Franklin County v. M. C. & T. L. Ry. Co., 12 Lea 521 (Tax Case);
Adams Express Co. v. Ohio State Auditor, 165 U. S. 194, 166 U. S. 185 (Tax Case);
Smyth v. Ames, 169 U. S. 466, 546.

D

“Good Will” is recognized as an element of value inherent in a railroad property and is to be included in arriving at the total value of a railroad property for taxation purposes.

Metropolitan Trust Co. v. Houston & T. C. R. Co., 90 Fed. 683;
Cedar Rapids Gas Light Co. v. Cedar Rapids, 223 U. S. 655;
Consolidated Gas Case, 212 U. S. 19, 52;
Omaha v. Omaha Water Co., 218 U. S. 180;
“Jurisdiction to Tax,” by Prof. Beale, Harvard Law Review for April, 1919, page 614.

E

Railroad property situated partly within and partly without the state but organically related, may be taken into consideration as a means of reaching the full value of the property in the state.

L. & N. R. R. Co. v. Green, 244 U. S. 522, 548;
State R. R. Tax Cases, 92 U. S. 575, 608, 611;
Pullman Palace Car Co. v. Penn., 141 U. S. 18, 26;
Pittsburgh, etc., R. R. Co. v. Backus, 154 U. S. 421, 430, 431, 444;
Western Union Telegraph Co. v. Taggart, 163 U. S. 1, 26, 27;
Fargo v. Hart, 193 U. S. 490, 499;
Adams Express Co. v. Ohio State Auditor, 165 U. S. 194;
Union Tank Line Company v. Wright, 249 U. S. 275.

DIVISION VIII

A

The market value of the stocks and bonds of a railroad company should be given little or no weight in the determination of total value for taxation purposes.

People v. Commissioners of Taxes and Assessments, 23 N. Y. 192;

People v. Coleman, 126 N. Y. 448; 27 N. E. 818, 12 L. R. A. 762;

People v. Feitner, 77 N. Y. S. 745;

M. W. & S. R. Co. v. Morley, 198 Fed. 991.

B

The capitalization of net earnings should not be given controlling weight in arriving at a total value for taxation purposes in Iowa.

Iowa Statutes;

Pittsburgh Railway Co. v. Backus, 154 U. S. 439;

Adams Express Co. v. Ohio, 166 U. S. 185;

Kennebec Water Company v. Waterville, 97 Maine 185; 60 L. R. A. 856; 54 Atl. 6;

Minnesota Rate Cases, 230 U. S. 352;

Smyth v. Ames, 169 U. S. 466;

Re Passenger Rates, M. St. P. v. S. S. M. R. Co., 1 Wis., R. C. R. 540 (1907);

Illinois Central, etc., R. R. Co. v. Interstate Commerce Commission, 206 U. S. 441, 462;

Kansas City Southern Ry. v. U. S., 231 U. S. 423, 446, 447;

Louisiana Railway Commission v. Cumberland Telephone Company, 212 U. S. 414.

ARGUMENT

I

There is but one issue in this case, namely, did the Executive Council of Iowa, in fixing the assessment of

the appellant's property in the year 1922, knowingly, intentionally and as a part of a general scheme, assess the appellant's property upon a basis of 75 per cent of actual value, at the same time knowing that farm lands had been knowingly, intentionally and as a part of a general scheme assessed upon a basis of only 38 per cent of actual value. No claim to the adoption of a wrong method of fixing value or to a misinterpretation of the law is advanced.

As the base upon which to found its case the appellant in its bill first contends that the Constitution of the State of Iowa prohibits the classification of property for taxation purposes. The constitutional provisions referred to are as follows:

"The property of all corporations for pecuniary profit shall be subject to taxation the same as that of individuals."—Section 2, Article VIII, Constitution of Iowa.

"All laws of a general nature shall have a uniform operation; the General Assembly shall not grant to any citizen or class of citizens, privileges or immunities, which upon the same terms shall not equally apply to all citizens."—Section 6, Article I, Constitution of Iowa.

It is fundamental that the construction placed upon the constitution of a state by the court of last resort of the state is binding upon the federal courts. *In Re Gilligan*, 206 U. S. 563; *Covington v. First National Bank*, 198 U. S. 100; 40 L. R. A. (N. S.) 447 (Note).

It is likewise fundamental that unless there is something in the state constitution which requires the assessment of all property upon the same basis, the legislature may provide for the assessment of property by classes. Mr. James M. Gray in his work "Limitations of Taxing

Power," at page 647, after discussing this question at length, says:

"The effect is that the only real effective protection against inequality of taxation which is available to the taxpayer is such protection as is afforded by the constitutions of the states."

The Supreme Court of Iowa has construed both these provisions of the Iowa Constitution. Section 2 of Article VIII has been construed as permitting the legislature to classify property, both of corporations and natural persons for assessment and taxation. It has been held that this provision was designed to prevent the exemption of corporate property from taxation. *Insurance Company v. Herriott*, 109 Iowa 606; *Association v. Gilbertson*, 129 Iowa 658; *Railroad Company v. The Board*, 67 Iowa 199; *Davenport v. Railroad Co.*, 38 Iowa 635; *Dubuque v. Railroad Co.*, 39 Iowa 56; *Hunter v. Coal Co.*, 175 Iowa 245; *Waterloo Rapid Transit Co. v. The Board*, 131 Iowa 237.

The interpretation placed upon Section 6 of Article I of the Constitution of Iowa is to the same effect, the court holding that the only requirement is that all property within the same class, whether the property of an individual or a corporation shall be assessed alike, but that property in different classes may be assessed upon a different basis. *United Express Co. v. Ellyson*, 28 Iowa 370; *Warren v. Henly*, 31 Iowa 31; *Scottish Ins. Co. v. Herriott*, 109 Iowa 606; *Des Moines v. Bolton*, 128 Iowa 108; *Hubbell v. Higgins*, 148 Iowa 36; *Waterloo Rapid Transit Co. v. Supervisors*, 131 Iowa 237; *Dubuque v. C. R. I. & P. R. R. Co.*, 47 Iowa 196; *Dunleith v. Dubuque*, 32 Iowa 427; *Hawkeye Ins. Co. v. French*, 109 Iowa 585.

The court of last resort of Iowa has also held that the

statutes of Iowa providing for the taxation of railway properties do not violate the provisions of either Section 6 of Article I or Section 2 of Article VIII, or Section 30 of Article III of the Iowa Constitution. *Dubuque v. Railway Co.*, 47 Iowa 196; *Central Ia. Railway v. The Board*, 67 Iowa 199; *United Express Co. v. Ellyson*, 28 Iowa 370; *Warren v. Henly*, 31 Iowa 31.

The marked distinction between the case at bar and other cases in which the federal court has assumed jurisdiction will be apparent from a study of such cases. In the several cases relied upon by the appellant the state constitution contains a provision requiring uniformity of taxation, not only within the class but as between classes. For example, in the case most stressed, *Greene v. Louisville, Etc., Ry. Co.*, 244 U. S. 499, jurisdiction was expressly entertained upon the ground that the rule of equality and uniformity guaranteed by the Kentucky Constitution confessedly violated by the state taxing board of that state brought the case within the equal protection clause of the Fourteenth Amendment of the Federal Constitution, thereby creating a federal question, opening the door for the exercise of federal jurisdiction.

Section 174 of the Kentucky Constitution provides as follows:

Section 174. "All property, whether owned by natural persons or corporations, shall be taxed in proportion to its value, unless exempted by this constitution, and all corporate property shall be the same rate of taxation paid by individual property."

Such also was the precise situation in *Raymond v. Traction Co.*, 207 U. S. 20, in which the Illinois Constitution provided:

"The general assembly shall provide such revenue as may be needful by levying a tax by valuation, so

that every person and corporation shall pay a tax in proportion to the value of his, her or its property—such value to be ascertained by some person or persons to be elected or appointed in such manner as the general assembly shall direct and not otherwise."

Having determined then that there is nothing in the state constitution which will confer jurisdiction upon the court, may we now turn to a consideration of the statutory law of the state.

II

THE IOWA STATUTES

It was contended by the appellant that both classes of property, namely, farm lands and railway properties, are to be valued for assessment purposes under the provisions of section 1305 of the supplement to the code 1913. It is true that there is a general provision relating to the fixing of the assessment base or value of property. This section 1305 of the code supplement 1913, is in words as follows:

"All property subject to taxation shall be valued at its actual value, and shall be assessed at twenty-five per cent of such actual value. Such assessed value shall be taken and considered as the taxable value of such property, upon which the levy shall be made. Actual value of property as used in this chapter shall mean its value in the market in the ordinary course of trade. This section shall not apply to special charter cities."

This general law, however, applies in the absence of a specific statute, only. A consideration of the laws of the state relating to the assessment of property will clearly show that the legislature has, as to many classes of property, provided specific assessment bases or values to be arrived at in a different manner than is provided in the

general statute. In this connection, attention is invited to a consideration of the assessment laws relating to the property of merchants, the property of manufacturers, the property of banks, moneys and credits, the property of express companies, the property of general corporations, the property of freight line companies, the property of transmission line companies, the property of telephone companies, the property of gas and water works, the property of building and loan associations, the property of insurance companies, and particularly the property of railway companies. These statutes have been uniformly upheld by the court of last resort of the state.

Railway properties under the law are valued for assessment purposes under the provisions of section 1336 of the code 1897. This section is in words as follows:

“The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January first, preceeding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock, and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state.”

We call attention to the fact that under the law farm lands are originally assessed by local assessors in the sev-

eral taxing districts of the state. The assessor fixes the value of such properties as directed by the terms and provisions of section 1305 of the code supplement 1913. He then submits his findings to the local board of review of the taxing district and such local board of review proceeds to hear complaints, either on the part of the property owner or on the part of the public, all to the end that the acts of the assessor may be carefully reviewed and as nearly as possible, a correct result attained. After the action of the local board of review, the results are submitted to the county board of supervisors, which sits as a board of equalization for the purpose of adjusting and equalizing as between the several taxing districts of the county. After the board of equalization of the county has acted, the results are transmitted to the state auditor and by him laid before the executive council, sitting as a board of equalization. The executive council proceeds to equalize as between the counties, all to the end that there may be, as nearly as possible, uniformity as between the counties.

At this point, may we call attention to the fact that the assessment of farm lands is made only in odd-numbered years. Section 1350 of the code 1897 provides as follows:

“Property shall be taxed each year, and personal property shall be listed and assessed each year in the name of the owner thereof on the first day of January. Real estate shall be listed and valued in each odd-numbered year, and in each year in which real estate is not regularly assessed the assessor shall list and assess any real property not included in the previous assessment, and also any building erected since the previous assessment, with a minute of the tract or lot of land whereon the same are situated, and the auditor shall thereupon enter the taxable value of such buildings on the tax list as a part of the real estate to be taxed; but if such buildings are

erected by another than the owner of the real estate, they shall be listed and assessed to the owner as personal property."

Therefore, in even-numbered years no change can be made by any assessorial body of the state as to the assessment of farm lands. It is true that provision is made for the addition of the improvements which have been added to the lands during the year, but the original land itself is assessed in odd-numbered years only. We are constrained to request the court to keep this fact in mind as it will be referred to later in this brief and argument.

On the other hand, railway properties are assessed each year by the Executive Council of the state. Such properties are assessed as a whole and not by parts. The value so arrived at is divided among the several taxing districts of the state in proportion as the mileage within such taxing district is to the mileage within the state. Many elements of value are to be considered by the Executive Council in fixing the value of railway properties, whereas, as to farm lands, only the value in the market in the ordinary course of trade is to be considered.

Having observed that railway properties are to be valued for assessment purposes under the provisions of the special statutes relating thereto, may we now give consideration to the requirements of such statutes.

For convenience we quote these statutes at length. They are in words and figures as follows:

Sec. 1334, Code Supplement 1913. "Railway Companies—when made—verified statement—when furnished. On the second Monday in July in each year, the executive council shall assess all the property of each railway corporation in the state, excepting the lands, lots and other real estate belonging thereto not used in the operation of any railway, and excepting railway bridges across the Mississippi and Mis-

souri Rivers, and excepting grain elevators; and for the purpose of making such assessment its president, vice president, general manager, general superintendent, receiver or such other officer as the council may designate, shall on or before the first day of April in each year, furnish it a verified statement, showing in detail, for the year ended December 31st next preceeding:

"1. The whole number of miles of railway owned, operated or leased by such corporation or company within and without the state;

"2. The whole number of miles of railway owned, operated or leased within the state, including double tracks and side tracks, the mileage of the main line and branch lines to be stated separately, and showing the number of miles of track in each county;

"3. A full and complete statement of the cost and actual present value of all buildings of every description owned by said railway company within the state not otherwise assessed;

"4. The total number of ties per mile used on all its tracks within the state;

"5. The weight of rails per yard in main line, double tracks and side tracks;

"6. The number of miles of telegraph lines owned and used within the state;

"7. The total number of engines, and passenger, chair, dining, official, express, mail, baggage, freight and other cars, including hand cars and boarding cars used in constructing and repairing such railway, in use on its whole line, and the sleeping cars owned by it, and the number of each class on its line within the state, each class to be valued separately;

"8. Any and all other movable property owned by said railway within the state, classified and scheduled in such manner as may be required by said council;

"9. The gross earnings of the entire road, and the gross earnings in this state;

"10. The operating expenses of the entire road, and the operating expenses within this state;

"11. The net earnings of the entire road, and the net earnings, within this state."

Sec. 1334-a, Code Supplement 1913. "Detailed Statements—what to include. Each railway or other corporation required by law to report to the executive council under the provisions of the law as it appears in section thirteen hundred thirty-four of the supplement to the code shall, on or before the first day of April, nineteen hundred and five, make to the executive council a detailed statement showing the amount of real estate owned or used by it on December thirty-first, nineteen hundred and four, for railway purposes, in each county in the state in which said real estate is situated, including the right of way, roadbed, bridges, culverts, depot grounds, station buildings, yards, section and tool houses, round houses, machine and repair shops, water tanks, turntables, gravel beds and stone quarries, and for all other purposes, with the estimated actual value thereof in such manner as may be required by the executive council. Only one such detailed statement by any corporation shall be necessary, and when received by the council it shall become the record of railway lands of such corporation, and redeemed as annually thereafter reported for valuation and assessment by the executive council. On or before the first day of April of each subsequent year such corporation shall in like manner report all the real estate acquired for any of the railway purposes above named during the preceding calendar year; and also a list of any real estate, previously reported, disposed of during the same period, which disposition shall be noted by the council in an appropriate column opposite to the description of said tract in the original report of the same in the record of railway land."

Sec. 1334-b, Code Supplement 1913. "Record of railway lands. The executive council, shall, by some convenient method of binding, arrange the statements required to be made under the provision of the preceding section so as to form a consolidated list of all real estate reported to it as being owned or used for railway purposes within the state of Iowa, which list shall be known as the record of railway lands."

Sec. 1335, Code of Iowa, 1897. "Operating expenses—amended statement. There shall not be included in said operating expenses any payments for interest or discount, or construction of new tracks except needed sidings, for raising or lowering tracks above or below crossings at grade in cities or towns, for new equipment, except replacements, for reducing any bonded or permanent debt, nor for any other item of operating expenses not fairly and reasonably chargeable as such in railway accounts. The council may demand, in writing, detailed, explanatory and amended statements of any of the items mentioned in the preceding section, or any other items deemed by it important, to be furnished it by such railway corporation within thirty days from such demand, in such form as it may designate, which shall be verified as required for the original statement. The returns, both original and amended, shall show such other facts as the council, in writing, shall require."

Sec. 1340, Supplement Code 1913. "Number of sleeping and dining cars. In addition to the matters required to be contained in the statement made by the company for the purposes of taxation, such statement shall show the number of sleeping and dining cars not owned by such corporation, but used by it in operating its railway in the state during each month of the year for which the return is made, the value of each car so used, and also the number of miles each month said cars have been run or operated on such railway, within the state, and the total number of miles said cars have been run or operated each month within and without the state. Such statement shall show the average daily sleeping car and dining car service or wheelage operated on each part or division of the line or system within the state, designating the points on the line where variations occur, with the mileage of that part having the same daily service or wheelage."

Sec. 1340-a, Supplement Code 1913. "Gross earnings—proportion. That for the purpose of making reports to the executive council, the gross earnings of railway companies, owning or operating a line, or lines of railway partly within this state, and partly

within another state, or other states, or territory, or territories, upon their line or lines within this state, shall be ascertained and reported by said railway companies as follows, to-wit: The aggregate of the earnings upon business originating and terminating within this state, upon business originating in this state and terminating elsewhere, upon business originating elsewhere and terminating in this state, and upon business neither originating or terminating in this state but carried on or done over the line or lines in this state or over some part thereof, shall be reported; and with respect to all such interstate business the earnings in this state for the purpose of report shall be actually computed upon the basis of the length of haul or carriage in this state as compared with the length of haul or carriage elsewhere. It being hereby declared that for the purpose of making reports looking to the assessment of railway property for taxation, the gross earnings or business done or carried partly within this state and partly in another state, or other states, or territories, shall be that proportion of the entire earnings of such business that the haul or carriage in this state bears to the entire haul or carriage."

Sec. 1340-c. Supplement to the Code 1913. "Net earnings. The executive council shall have the power to prescribe a method for all railway companies doing business in this state, together with the rules and regulations for the ascertainment of the net earnings of the railway lines in this state, to the end that all such railway companies, in ascertaining and making report of net earnings, shall proceed upon the same basis and in a uniform manner."

Sec. 1340-e. Supplement to the Code, 1913. "Additional rules and regulations. The rules, regulations, method and requirements herein provided to be made by the executive council shall be made and communicated in writing or print to the said several railway companies within thirty days from and after the passage and taking effect of this act, and shall be and become binding upon said railway companies from the time they are so communicated; provided, however, that the said executive council shall have

the power to prescribe supplemental or additional rules, regulations, and requirements at any time, and communicate them to the several railway companies in the manner aforesaid, and with respect to such additional or supplemental rules, regulations, and requirements, they shall be and become binding upon the said railway companies within thirty days after they are so communicated."

Sec. 1340-f, Supplement to the Code, 1913. "Refusal to conform to rules—penalty. If any railway company shall fail or refuse to obey or conform to the rules, regulations, method, and requirements so made or prescribed by the executive council, under the provisions of this act, or to make the reports as herein provided for, the executive council shall proceed and assess the property of such railway company so failing or refusing, according to the best information obtainable, and shall then add to the taxable valuation of such railway company 25 per centum thereof, which valuation and penalty shall be separately shown, and together shall constitute the assessment for that year."

Sec. 1336, Code of Iowa, 1897. "Valuation. The said property shall be valued at its actual value, and the assessments shall be made upon the taxable value of the entire railway within the state, except as otherwise provided, and shall include the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway. In assessing said railway and its equipments, said council shall take into consideration the gross earnings per mile for the year ending January 1, preceding, and any and all other matters necessary to enable said council to make a just and equitable assessment of said railway property. If a part of any railway is without this state, then, in estimating the value of its rolling stock and movable property, they shall take into consideration the proportion which the business of that part of the railway lying within the state bears to the business of the railway without this state."

Sec. 1341, Code 1897. "Assessment by executive

council. The council shall, at the time of the assessment of other railway property for taxation, assess for taxation the average number of cars so used by such corporation each month, and the assessed value of said cars shall bear the same proportion to the entire value thereof that the monthly average number of miles such cars have been run or operated within the state shall bear to the monthly average number of miles such cars have been used or operated within and without the state. Such valuation shall be in the same ratio as that of the property of individuals, and shall be added to the assessed valuation of the corporation, fixed under the preceding sections."

Sec. 1342, Code 1897. "Real property of railways. Lands, lots, and other real estate belonging to any railway company, not used exclusively in the operation of the several roads, and all railway bridges across the Mississippi and Missouri rivers, and grain elevators, shall be subject to assessment and taxation on the same basis as property of individuals in the several counties where situated."

Sec. 1339, Code 1897. "Rate. All such railway property shall be taxable upon said assessment at the same rates, by the same officers, and for the same purpose as the property of individuals within such counties, cities, towns, townships and lesser taxing districts."

It is fundamental that all statutes relating to the same subject are to be construed together in determining the true intent and purpose of the legislature. Therefore, in determining what was the true intent and purpose of the legislature of Iowa in fixing the assessment base or value of railway properties, all of these statutes must be considered. These statutes provide for the Executive Council to secure a complete and itemized accounting of the physical units of property, both real and personal, used in the operation of the properties of the carrier within the state. This itemized schedule separates the fixed property and the movable property so that the data

will be complete as to both classes of property. This data is secured by the Executive Council for some definite purpose. If the value of the carrier is to be fixed without regard to the separate units of physical property, then there would have been no necessity for the enactment of these several statutes providing for the reporting of the physical units and related facts. Does it not necessarily follow that the true intent and purpose of the legislature was to secure a complete accounting of the physical properties for valuation purposes? This purpose is not only disclosed in the several sections of the statutes quoted but it is particularly emphasized in the valuation section, Sec. 1336, Code 1897, wherein it is provided that the valuation shall include "the right of way, roadbed, bridges, culverts, rolling stock, depots, station grounds, shops, buildings, gravel beds and all other property, real and personal, exclusively used in the operation of such railway." Therefore, we feel justified in saying that no other possible construction can be placed upon these statutes than that:

1st. There must be a valuation of the physical units; and

2d. To the valuation of the physical units must be added the valuation of the intangible elements.

III

IN GENERAL.

It is fundamental that the assessment of property for taxation purposes is a legislative function. Under the Constitution of Iowa the legislature has an absolute right to vest the Executive Council of Iowa with full and complete authority to assess the appellant's property as well as to equalize the value of real estate. The courts will

not interfere to correct mere errors in legislative judgment.

State Railroad Tax Cases, 92 U. S. 575;

Sunday Lake Iron Co. v. Wakefield, 247 U. S. 350;

C. B. & Q. Ry. Co. v. Babcock, 204 U. S. 585.

In order for the court to assume jurisdiction in this case it must be shown clearly and satisfactorily that there has been a departure from the rule of practical uniformity and that such departure has been intentional, systematic and continuous. Chief Justice Taft in *Sioux City Bridge Co. v. Dakota County* (U. S.) 67 L. Ed. 343, well states the rule when he says:

“ Mere errors of judgment do not support a claim of discrimination, but there must be something more, something which, in effect, amounts to an intentional violation of the essential principle of practical uniformity. *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350, 353; 62 L. Ed. 1154, 1156; 38 Sup. Ct. Rep. 495.”

Mr. Justice Miller in *Railroad Tax Cases*, 92 U. S. 575, says:

“ Perfect equality and perfect uniformity of taxation as regards individuals or corporations or the different classes of property subject to taxation, is a dream unrealized, * * * as all valuation of property is more or less a matter of opinion we see no reason why the opinion of this court or of the circuit court should be better or should be substituted for that of the board, whose opinion the law had declared to be the one to govern in the matter.”

The Court in *Pittsburgh Ry. Co. v. Backus*, 154 U. S. 421, 434, 435, 436, says:

“ Upon this testimony (testimony as to the value of complainant's property) the decision of the court was that there was nothing to impeach the assess-

ment made by the state board, and in this conclusion we concur. The true cash value of the plaintiff's property in the state of Indiana in the year 1891 was a question of fact, the determination of which for the purposes of taxation was given to this special tribunal, the state board. Whenever a question of fact is thus submitted to the determination of a special tribunal, its decision creates something more than a mere presumption of fact, and if such determination comes into inquiry before the courts, it cannot be overthrown by evidence going only to show that the fact was otherwise than as so found and determined. Here the question determined by the state board was the value of certain property. That determination cannot be overthrown by the testimony of two or three witnesses that the valuation was other than that fixed by the board. It is true such testimony may be competent, and was received in this case because, taken in conjunction with other testimony, it might establish fraudulent conduct on the part of the board sufficient to vitiate its determination. It is not, however, contended by counsel that there was any actual fraud on the part of that board; that the individual members thereof deliberately violated the obligations of their oaths of office, and intentionally placed upon the property of the plaintiff a valuation which they knew to be grossly in excess of that which it in fact bore, and did so with the purpose of making the plaintiff bear a larger share of the burden of the support of the state government than it rightfully should. The contention is made that the board made a grievous mistake in placing so high a value, and that it took into consideration property outside of the state, and gave to the property within a value partly deduced from that without the state. The testimony, however, does not sustain this contention. • • •

“The findings of an official body such as the Board of Valuation and Assessment made—as was the case here—after a hearing and upon notice to the taxpayer, are quasi judicial in their character, and are not to be set aside or disregarded by the courts unless it is made to appear that the body proceeded

upon an erroneous principle or adopted an improper mode of estimating the value of the franchise, or unless fraud appears."

The Court in *Louisville & Nashville Railroad Company v. Greene*, 244 U. S. 523, 536, 542; 61 L. Ed. 1291, says:

"In our opinion, it is a sufficient answer to this contention to say that the board merely carried out the capitalization-of-income plan of valuation, perhaps to its logical extreme, but certainly not in a manner that enables this court to say that they pursued a fundamentally wrong method. * * * a criticism merely of the conclusion of the board upon a question of facts which is not properly subject to review by the courts "

The evidence in this case discloses clearly that the Executive Council of Iowa in the year 1922 proceeded honestly and fairly in an earnest attempt to equalize upon the same relative and uniform percentage the assessed value of farm lands and railroad property, including the property of the carrier.

A similar proceeding had been brought in the District Court of the United States for the Southern District of Iowa in an attack upon the 1921 assessment as made by the Executive Council of Iowa. Subsequently these cases were disposed of upon an agreed settlement which has nothing to do with this case. The fact, however, as to what the law was and as to what was required by the Executive Council is clearly shown in the opinion of the Court rendered at that time and to be found in *C. M. & St. P. Ry. Co. v. Kendall, et al.*, 278 Fed 298.

In the exercise of an honest purpose the Executive Council at once, after such proceeding had been determined, proceeded to inform itself very fully relative to railroad values. This fact is disclosed by the record in

this case. For years the annual reports of the carriers to the Executive Council of Iowa for assessment and taxation have been meager (See Exhibit E, Transcript 206). Realizing this fact, that body in conformity to law, called upon the carriers for a complete statement of facts relative to the value of their several properties from every conceivable standpoint and including operating statistics, gross and net income, physical value, values of stocks and bonds, etc. (See Exhibit F, Transcript 214). The Council did not stop with the information thus disclosed, but proceeded to invite the carriers to appear personally and present evidence or facts which might in any way be considered as reflecting the true value of the properties to be assessed. The carriers, including the appellant, appeared and did present exhibits and arguments. The argument of the carriers as presented to the Executive Council orally are set out in the Transcript. (Transcript 145-152, Exhibit 12.)

Not only did the carriers orally present the matter to the council, but it also presented exhibits as to the value of its properties, which exhibits are almost identical with the proofs offered before the three-judge court. (Compare Exhibit 12, Tr. 142-154.) The carrier also presented evidence relative to land values so that the Executive Council at the time of the assessment had before it the same case as was presented to the three-judge court.

The Executive Council was not even content with this information thus obtained. It went further and secured still further information. The affidavit of E. May Sweeney, Secretary of the Executive Council in charge of taxation matters, states (Transcript 301):

“ * * * the council had before it in connection with the assessment of said railroad properties they had complete statistical reviews and data relative

to the market values of stocks and bonds; the par value of stocks and bonds; gross and net income of the several railroads; the annual reports and additional annual reports of each of the several carriers, including the two carriers in question; also the report for all preceding years of each of said carriers, including said two particular carriers; also the complete assessed value of all classes of property for preceding years; also the reports of said railroad companies, including the two companies in question, the Railroad Commission of the State of Iowa, for the year 1921 and preceding years; also exhibit No. 1, pages 7 to 12, in Ex Parte 74 before the Interstate Commerce Commission of the United States; also the reports of the Railroad Commission of the State of Iowa; the reports of the Executive Council of the State of Iowa; the reports of the Auditor of State of the State of Iowa; also the tentative finding of value by the Interstate Commerce Commission on file with the Governor of Iowa; also copy of letter of L. C. Fritch, Vice President of the Chicago, Rock Island & Pacific Railway Company, to the Board of Railroad Commissioners of Iowa, with reference to the value of Chicago, Rock Island & Pacific Railway property in Iowa; also other matters and things which I do not at this time recall."

It thus will appear that the Executive Council at the time of adjusting the valuation of the properties of the appellant had before it full and complete information and was in a position to determine honestly and fairly a relative value as compared with farm lands.

It is to be observed that the Executive Council could not in the year 1922 change the assessed value of farm lands. It could only seek to reduce the assessed value of railway properties to the same relative percentage. This is exactly what the courts hold it had a right to do and what it ought to do. This is exactly what it did. It may be interesting to note that the Executive Council of Iowa has no authority to raise the assessed value of farm lands

to a basis of 100 per cent. It only has authority to equalize the value as between counties upon the same relative and uniform percentage. In *Pierce v. Executive Council*, 165 Iowa 465, 471, the Supreme Court of Iowa outlines the power of the Executive Council, sitting as a board of equalization, as follows:

"The fourth division of the decree seems to us to be much broader than can be justified under any rule of law with which we are familiar. Save as to an original assessment of railways, etc., the State Board of Review had no other duty than to equalize the assessments among the several counties of the state. It had no power, as we understand, to make original assessments in any of the counties, or to generally increase the assessments in each and all of the counties. Its sole duty, as we understand it, in this respect, was to equalize among the several counties. *Forbes v. McQuiston*, 107 Iowa 651."

The courts have assumed jurisdiction in cases of this character only upon the theory that one class of property has been assessed intentionally, systematically and continuously upon a higher percentage of assessed to actual value than that percentage of assessed to actual value which has been, as a part of the scheme, applied to another class of property. This, because of the fact that the result of the application of a different percentage to the two classes of property has resulted in a denial of the equal protection of the laws to the property owner whose property has been assessed upon the higher basis. This has been so repeatedly announced by this court as to be fundamental. In the case at bar a different situation is presented. The Executive Council of Iowa did not seek to assess the property of the appellant upon a higher percentage than that at which farm lands has been assessed and equalized, but upon the same percentage.

In doing so it did that which would result to each property owner an equal and uniform assessment.

This duty on the part of the assessing board has been repeatedly referred to by the courts. The latest pronouncement thereon is that of Chief Justice Taft in *Siou.x City Bridge Co. v. Dakota County, Supra*, wherein he says:

"This court holds that the right of the taxpayer whose property alone is taxed at 100 per cent of its true value is to have his assessment reduced to the percentage of that value at which others are taxed, even though this is a departure from the requirement of the statute. The conclusion is based on the principle that where it is impossible to secure both the standards of true value, and the uniformity and equality required by law, the latter requirement is to be preferred as the just and ultimate purpose of the law."

The appellant before the three-judge court did not attack the good faith of the Executive Council in seeking to equalize upon the same relative and uniform basis by the production of any evidence, unless it be assumed that the proofs of value submitted by it are such as to raise a presumption that the Executive Council did not equalize upon the same relative percentage. The three-judge court has very carefully analyzed the evidence submitted by the appellant as to its values. Without repetition, may we again quote:

"The affidavit of I. A. Hermany (Complainant's Ex. 11) purports to show the value of the entire system on the six bases of par value of stocks and bonds, market value of stocks and bonds, capitalization of net income at 6 per cent, capitalization of net income at 7 per cent, capitalization of government rental at 6 per cent, and value under Ex Parte No. 74. These bases are averaged over a period of five years ending June 30, 1922. Allocation to Iowa is suggested on

six different bases. Using all of these factors and giving equal weight to each, the result is a valuation to Iowa of \$56,953,316.00 as against an assessed value of \$66,950,984.00. The inaccuracy of this result, and, therefore, either of the method or of the figures used is shown by the Rock Island bill which sets out a claimed valuation not in excess of \$40,500.00 per mile in Iowa on a mileage of 2,202.335 miles, or an aggregate Iowa value of \$89,194,567.00. For the moment considering the figures in the exhibit to be true, the council may have taken any single base or any combination thereof which it might deem helpful. It may, also, have used any of the suggested methods of allocation, so long as it included therein the requirements of the Iowa statute that it consider gross earnings and the relative proportion of state and interstate 'business.' However, this affidavit contains no information as to gross earnings. It is, also, for the fiscal instead of the calendar year, which latter is the taxation period. The council might, also, properly have rejected the five year period and taken the single year 1921 or a shorter period than five years. The result possible for Iowa value by employment of the exhibit figures and some one or more of these bases of valuation and allocation might range from more than \$109,000,000.00 to a little less than \$10,000,000.00. If the higher results were accepted by the council, the ratio of assessed value would be slightly over 60 per cent as against 61 plus per cent for farm lands.

As will have been observed these facts were all before the Executive Council, and it is to be presumed that they were given that consideration to which they were entitled.

Again, it may be said in addition to what has been said by the court, that each of the compilations submitted by the appellant are subject to the very grave objection that they are not based upon the actual facts as disclosed by the record.

As opposed to the evidences of value as thus presented,

the state submitted the findings of the Executive Council on the same relative and uniform basis, together with complete data and information relative to the values of the appellant's properties upon which the three-judge court reached the following conclusions:

"There was, however, before the council additional direct evidence of value which might rationally have been considered by it. In fact, the motives of the council could not be successfully attacked had they, in good faith, used that evidence as the basis of the valuation instead of going into the field of suggested theoretical bases of value and methods of allocation. This evidence included the report of the company to the Interstate Commerce Commission of the investment value of its property in Iowa for purposes of physical valuation by the commission; the protest filed by the company to the tentative valuation findings of the Interstate Commerce Commission; and the report of the directors of that railroad to its stockholders. The above report to the commission shows a total valuation of over \$137,500,000. It seems doubtful whether the item therein of 'General Expenditures,' totalling over \$14,300,000.00 should be considered at all for taxation purposes. Excluding this item, however, leaves a balance of over \$123,000,000.00. If this balance be taken as the actual value then the assessment for taxation sinks to slightly over 50 per cent as compared with 61 plus per cent for farm lands.

"The above protest filed by the company with the Interstate Commerce Commission claimed a system value of not less than \$525,000,000.00. From this amount a most liberal deduction for included items not properly to be considered in tax values within the state of Iowa would leave a figure which, allocated by any reasonable method suggested, would apportion to Iowa at least \$100,000,000.00. The assessed value would be 66 per cent thereon as compared with 61 per cent for farm lands. Such narrow difference of percentage might well honestly occur and is slight evidence of fraud.

"In the above annual report to the stockholders for 1921, the statement is made, and supported by figures, that the physical property of the company, as a going concern, exceeds the par value of the outstanding stocks and bonds. This par value is given, in that report, as slightly over \$362,000,000.00. If that be allocated on the mileage basis for 1921 of 29.81 per cent (being one of the methods suggested by this complainant) the Iowa value is something over \$107,000,000.00. To this the assessed value is 61 per cent plus as against 61 per cent plus for farm lands.

"In view of the above possible findings, based on evidence before it, we cannot say that the council intentionally overassessed this property."

(Defendant's Exhibit A-1, Tr. 177; Defendant's Exhibit C, Tr. 187-192; Defendant's Exhibit D, Tr. 192-205; Defendant's Exhibit F, Tr. 214 and side folio pages 557 to 587; Defendant's Exhibit G, Tr. 214, 215 to 222; Defendant's Exhibit K-1, Tr. 224-228; Defendant's Exhibit K-2, Tr. 229, specifically pages 289, 290, 291, 292; Defendant's Exhibit K-3, Tr. 292, 296, 297, 298, 299; Defendant's Exhibit L-2, Tr. 300; Defendant's Exhibit S, Tr. 301; Defendant's Exhibit T, Tr. 302; Defendant's Exhibit X, Tr. 314.)

In addition to the proofs of value thus referred to by the court, reference is made to the affidavits and conclusions of value based upon the record which show clearly that the actual value of the properties of the appellant in Iowa, subject to taxation by the Executive Council, exceeds \$110,000,000.00, which is more than sufficient to sustain the assessment as made by the Executive Council.

In addition to the foregoing evidences of value based upon the value of the physical structures, proofs were introduced as to the intangible values of such properties. These intangible values have to do with such elements of value as good will, connected use and operation, etc. Such

intangible values coupled with the physical values raise the total value of the appellant's property beyond any amount conceivably necessary to sustain the action of the Executive Council.

It follows that the appellant must fail because it has failed to make out a case of intentional discrimination. It must fail further because of the fact that the proofs clearly show that the actual value of the appellant's property is more than sufficient to sustain the assessment in question upon a basis of 61.34 per cent.

It is respectfully contended that this court must and should affirm the order and decree of the three-judge court.

Respectfully submitted,

BEN J. GIBSON, Attorney General,

NEILL GARRETT, Assistant Attorney General,

Counsellors for the Appellee.

OCT 24 1924

WM. R. STANBURY

CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1924

No. 23

THE CHICAGO, ROCK ISLAND & PACIFIC RAIL-
WAY COMPANY, *Appellant,*

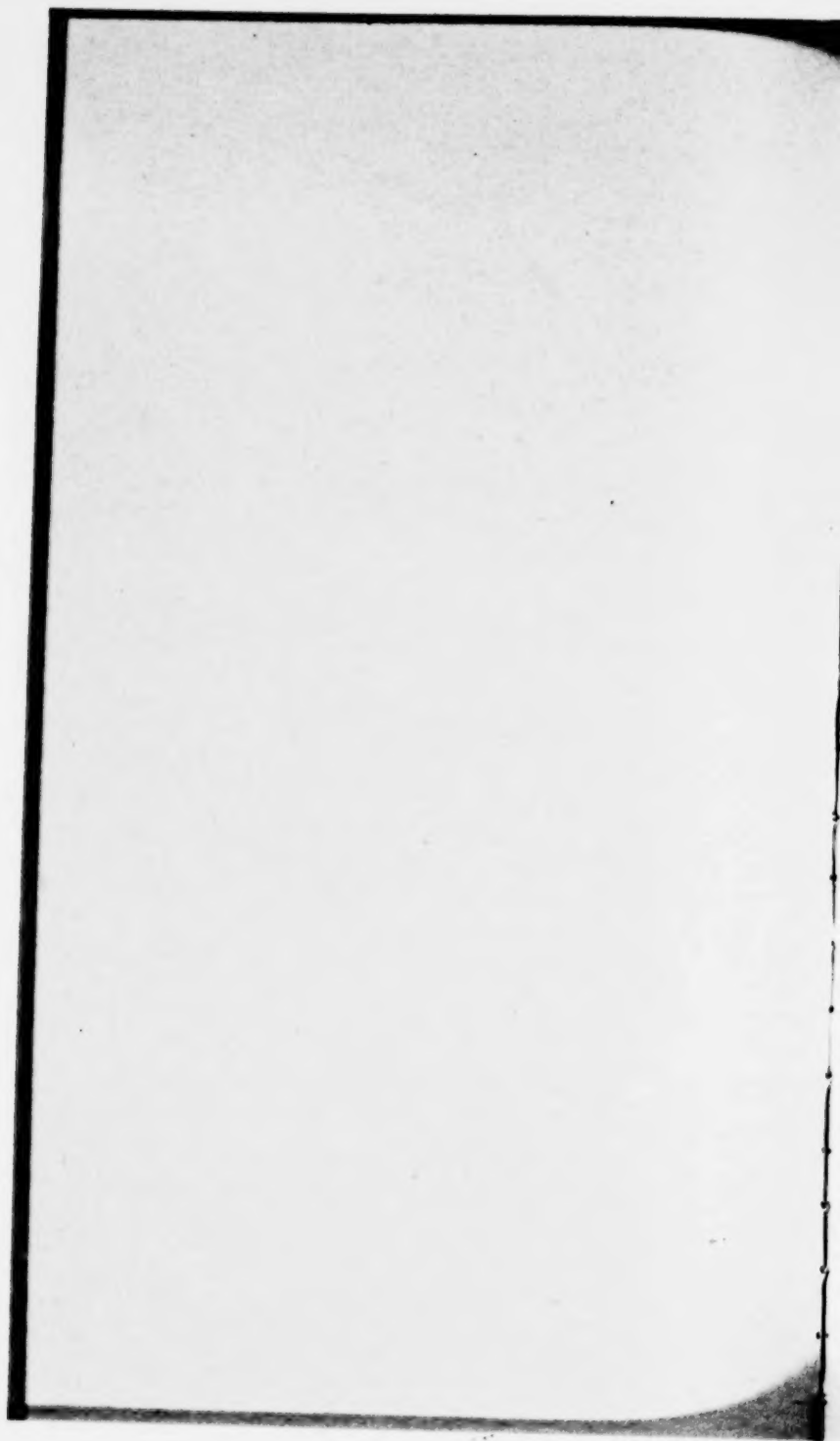
v.

NATHAN E. KENDALL, GOVERNOR OF THE
STATE, ET AL., *Appellees.*

APPEAL FROM THE DISTRICT COURT OF THE
UNITED STATES FOR THE SOUTHERN
DISTRICT OF IOWA

ADDITIONAL BRIEF FOR APPELLEES

BEN J. GIBSON, Attorney General of Iowa,
NEILL GARRETT, Assistant Attorney General,
Solicitors for Appellees.



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ADDITIONAL BRIEF FOR APPELLEES

STATEMENT

This statement is supplementary to the statement contained in the original brief and argument filed herein by the appellees. The occasion for the filing of this Brief and Argument is unusual and for that reason some reference to the exact situation is necessary.

The appellant failed to file its Brief and Argument prior to the submission of the case. The appellees there-

upon filed a motion to dismiss and affirm which was submitted on the 6th day of October, 1924, and is for determination by the court. The appellees also filed their Brief and Argument. On the 7th day of October, 1924, the case was argued orally. At that time the court granted ten days to the appellant to file a Brief and Argument and gave additional time to the appellees to reply.

For the convenience of the court and for the purpose of particularly emphasizing certain outstanding facts, we call attention to the following:

1. This is an appeal from the findings of a three-judge court constituted under the provisions of Section 266 of the judicial code denying the application of the appellant for a temporary injunction.

2. The assessment complained of was made by the Executive Council of Iowa, which executive council also finally equalizes the values of farm lands. In other words, we are dealing with one board which determines the final assessed value of both classes of property involved, namely, farm lands and railroad properties.

3. There is no evidence of bad faith on the part of the Executive Council of Iowa in equalizing upon the same relative percentage of assessed to actual value. The sole evidence submitted by the appellant being as to the undervaluation of farm lands and the value of its own property.

4. The ratio of assessed to actual value of farm lands is agreed upon at 61.3 per cent. The appellant offers no evidence to show that the Executive Council of Iowa did not in good faith equalize as between the two classes of property upon such basis.

5. There is no evidence in the record to show that the

Executive Council of Iowa intentionally overassessed the property of the appellant. On the other hand, there is ample evidence upon which the executive council might properly find the value of the appellant's property on a basis of 61.3 per cent to be equal to or in excess of the assessed value fixed by it.

6. The evidence clearly shows that prior to the making of the assessment in question the executive council made an exhaustive investigation and research into railway values and particularly of the elements of value of the appellant's properties; that after a hearing in which council for appellant took part, the executive council in assessing appellant's property in Iowa *reduced the assessment* below what it had been for a number of years.

7. There was evidence before the three-judge court upon which it properly denied the application for a temporary injunction.

In connection therewith we submit the following:

a. Exhibit A-1 (Tr. 177) offered by the appellees, is a statement of the value of the property in Iowa of the appellant made by L. C. Fritch, Vice President of the Railway Company in charge of construction, maintenance and capital expenditures. Mr. Fritch stated in said letter that the total value in Iowa as of June 30, 1915, was \$137,557,638. The total additions and betterments in Iowa from June 30, 1915, to December 31, 1921, is shown in Exhibit 2 of Exhibit K-1 (Tr. 227) to be \$11,207,937. These two sums added together produce a value as of date December 31, 1921, of \$148,765,635. To this, the assessed value of \$66,950,984 is 45 per cent, as compared to 61.3 per cent the ratio agreed upon.

b. Exhibit C offered by the appellees is the 42nd An-

Annual Report of the Board of Directors to the stockholders. The whole document was offered in evidence, but only the portion applicable is included in the transcript. (Tr. 187-192.) This exhibit is analyzed by the witness Thorne in his affidavit, Exhibit 4 of Exhibit K-2 (Tr. 239.) The value of that portion of the system which may properly be considered in connection with the taxation of the property of the appellant in Iowa as stated in this analysis amounts to \$362,349,271. The figures contained in this statement it will be noted are adopted by the board of directors as the minimum value of the property of the appellant. It will be noted therein that the board of directors state (Tr. 189) that "this valuation, officially determined by the United States Government, refutes for all time and for all purposes the suggestion sometimes made by the uninformed that this company is over-capitalized. We regard the valuation established by the Commission as being much less than the actual value of the property, and having filed the protest contemplated by law in the hope that, upon a hearing, the Commission will substantially increase its valuation; but, even on the Commission's minimum basis, this valuation must be taken as establishing a property value behind our stocks and bonds, much in excess of their par value."

It will be noted that the values enumerated therein are admitted to be on a minimum basis. Reference is made in the quotation from the report to the stocks and bonds and capital obligations outstanding against the property. These will be referred to later. Attention is also called to the statement in the quotation that the board of directors regards the figures shown by them to be "much less than the actual value of the property" and that they have filed the protest contemplated by law. Reference will be

made to this protest and the values therein claimed later in this statement.

Allocating the figure of \$362,349,271 to the State of Iowa on the mileage proportion basis there is produced in Iowa a value of \$108,016,318. To this, the assessed value is 61.9 per cent, as compared to 61.3 per cent, the ratio agreed upon.

c. Exhibit F (Tr. 214 Fol. 557-565) which is a part of the additional annual report to the Executive Council, contains a statement of the par value of the stocks and bonds of the appellant company. It is there shown that the par value of the stocks and bonds of the system on December 31, 1921 was at least \$355,752,926 after making all possible deductions for securities not properly to be included, as claimed by appellants. This amount allocated to Iowa on the mileage proportion basis produces a value for Iowa of \$106,003,110. However, appellees insist that the correct total amount of stocks and bonds to be considered is of the par value of \$382,814,926. This amount allocated to Iowa on the mileage proportion basis produces a value of \$114,130,292. It will be noted in this connection that the board of directors in its annual report to the stockholders, referred to in the paragraph above, is admitted to be the actual value of the property. To this, the assessed value of \$66,950,984, is 58 per cent, as compared to 61.3 per cent, the ratio agreed upon.

In this connection it is interesting to note that the appellant in its Exhibit I of Exhibit H, Fol. 410, opposite Transcript 136, gives the par value of its stocks and bonds as of June 30, 1922 as \$370,836,650.

d. Exhibit D (Tr. 192) offered by appellees is the protest by the appellant against the valuation of its property

by the Interstate Commerce Commission. This protest and the values therein claimed by the appellant as additional to the valuation made by the Interstate Commerce Commission is analyzed by Mr. Thorne in Exhibit 7 of Exhibit K-2 (Tr. 243-247.) It will be observed that the appellant claims an increase in the physical values of its total properties over that allowed by the Interstate Commerce Commission of approximately \$194,740,092 (Tr. 244.) Of this amount there is in Iowa, specifically designated in the protest, an amount equal to \$34,842,444 (Tr. 246.) Adding this amount to the total value found by the Interstate Commerce Commission as of June 30, 1915, brought down to December 31, 1921, as computed by the appellant in its showing before the Executive Council, Exhibit G in this record (Tr. 214, 215-222) a total claimed value by the appellant is produced amounting to \$129,223,696 in Iowa (Tr. 247.) To this, the assessed value of \$66,950,984 is 51.8 per cent, as compared to 61.3 per cent, the ratio agreed upon.

e. Exhibit T offered by the appellant (Tr. 307) is an extract from the Wettling Exhibits submitted in behalf of the railroads in the western district in May, 1920, in a proceeding known as Ex Parte 74, the purpose of which was to determine the value of the properties of the railroads as a basis for the determination of rates. The portion of that exhibit applicable herein is set out in the transcript page 302. The appellant stated its total value therein to be \$392,426,762. This exhibit was analyzed by the appellee's witness Thorne in Exhibit 3 to Exhibit K-2 (Tr. 238.) In this exhibit, after making the necessary deductions for those properties not properly to be considered in connection with the assessment of appellant's property in Iowa, the resultant value for the sys-

tem is \$374,308,331. On the hearing the Interstate Commerce Commission adopted a value which should be used by it by reducing the value presented by the appellant by 9.64 per cent. This produced a final value of \$338,225,008. This value allocated to Iowa on the mileage proportion basis produces a value of ~~\$8,123,475~~ ^{20,011,475}. To this, the assessed value is 60 per cent, as compared to 61.3 per cent, the ratio agreed upon.

f. Appellee's Exhibit K-1 (Tr. 224-228) shows a total physical value in Iowa based upon the tentative valuation report and the reports to the Executive Council and the Railroad Commission of Iowa by the carrier brought down to date December 31, 1921, of \$114,478,401. The assessed value bears to such value a ratio of 57.7 per cent as compared to 61.3 per cent.

g. To all the physical values of the property of the appellant there should be added an intangible value representing the going concern value, franchise value, the value of good will, earning power and the value of unity of use and connected operation.

Mr. Thorne in Exhibit K-2 extensively analyzes the intangible values of the appellant's property. Exhibit 9 of Exhibit K-2 (Tr. 280) is a computation by Mr. Thorne computing the intangible value of the property of the appellant as of date December 31, 1921, as being \$11,701,783. This intangible value is based upon the earnings and physical valuation of appellant's property.

Exhibit 10 of Exhibit K-2 (Tr. 282) is another computation of the intangible value of the appellant's property on a different basis. There are other computations of intangible values but the one relied upon by the state is the one just described. While any of the physical values hereinbefore described are sufficient to sustain the assess-

ment by the Executive Council on the basis of 61.3 per cent of actual value the addition of the intangible value necessarily inherent in the property removes any question as to the adequacy of the assessment. This intangible value added to any of the physical values suggested (the basis of which were before the Executive Council and the District Court) produces a value so great that there is no question about the correctness of the assessment made.

There are a number of other computations of the value of the appellant's property in the record but we do not desire to go into detail further on this point as we believe what we have outlined is sufficient to show that the Executive Council, as well as the court below, had before them sufficient facts and evidence upon which to make the assessment in question and that they were justified in fixing the assessed value of the appellant's property at the amount fixed.

BRIEF

I

Under the laws of Iowa the Executive Council sits as one board vested with power and charged with the duty as a board of assessment, equalization and review to equalize the assessed values of property, including both lands and railroad property.

Sees. 1377, 1378 and 1379, Code 1897, as amended;
Sees. 1334, et seq. Supplement to Code, 1913.
(These sections are set out in full in the Appendix.)

II

The Executive Council of Iowa, sitting as a State Board of Equalization, has no power to generally increase

the assessments in all of the counties. Its sole duty is to equalize upon a uniform ratio.

Pierce v. Executive Council, 165 Iowa 465, 471;
Montis v. McQuiston, 107 Iowa 651.

ARGUMENT

I

It is first contended that there is evidence sufficient to disclose the fact that farm lands have been assessed at less than 100 per cent for a number of years. There is no controversy on this proposition. In other words, all of the evidence as to the underassessment of farm lands submitted by the appellant is immaterial because it is agreed by the parties that the assessed value of farm lands bears, to the actual value, a ratio of approximately 61.3 per cent. The trial court so found.

The fallacy of the appellant's argument lies in the fact that the issue here is not whether farm lands were assessed on the basis of 61.3 per cent, but whether the evidence discloses clearly that the property of the appellant was assessed as a part of a systematic scheme at a higher percentage of actual value. There is not the slightest evidence in the record to show that railroad property was assessed at a higher percentage of actual value than farm lands. In truth, the evidence discloses exactly the opposite, namely, that the Executive Council of Iowa sought to equalize upon the same relative and uniform percentage as between the two classes of property. This is exactly what they should have done and this is exactly what they did. *Sioax City Bridge Company v. Dakota County*, 200 U. S. 441.

The appellant cites a number of cases, including the following: *Sioax City Bridge Company v. Dakota*

County, 260 U. S. 441; *L. & N. R. R. Co. v. Greene*, 244 U. S. 522; *Taylor v. L. & N. R. R. Co.*, 88 Fed. 350. In each of the cases cited the court assumed jurisdiction upon the theory that one class of property had been assessed intentionally, systematically and continuously upon a higher percentage of assessed to actual value than that percentage of assessed to actual value which has been as a part of the scheme applied to another class of property. This, because of the fact that the result of the systematic application of a different percentage to the two classes of property resulted in a denial of the equal protection of the laws to the property owner whose property has been assessed upon the higher basis. This rule has been so repeatedly announced by this Court as to be fundamental. As we have heretofore stated, a different situation is presented in the case at bar. The Executive Council of Iowa did not seek to assess the property of the appellant upon a higher percentage than that at which farm lands had been by it equalized, but upon the same percentage.

Under the laws of Iowa the Executive Council sits as a board of assessment, equalization and review. It is vested with power, not only to assess railroad property, but also to equalize the assessed value of farm lands, Iowa Code Supplement, 1913, Sections 1334 et seq., Iowa Code, 1897, Sections 1377, 1378, and 1379.

A clear distinction exists between cases such as this, where one board fixed the final assessed value of both classes of property and a case where different boards do so. In such cases the presumption is that the board does that which it ought to do, namely, equalizes upon the same relative and uniform percentage, thus following the law and the constitution.

A different situation is presented where two boards

act. In such cases as a primary base, it is assumed that each follows the law and assesses upon a basis of 100 per cent. Proof of the undervaluation as a part of a systematic scheme of discrimination of a large class of property by one board would, in such cases, be sufficient, unless it be shown that the other board assessed upon the same percentage. In the case at bar, therefore, we begin with the conclusion that the Executive Council of Iowa did that which it ought to do under the law, namely, equalized as between the two classes of property.

Aside from the presumption to which we have referred, are also the proofs which show clearly that the Executive Council of Iowa did assess the appellant's property upon the same relative and uniform basis of assessed to actual value. (See original Brief of Appellees. See also appellees Motion to Dismiss and Affirm.)

In this connection attention is specifically called to the fact that after the most exhaustive study of the question (see Brief for Appellees, pages 50, 51 and 52), the assessing board finally reduced the assessed value of the appellant's property from \$31,000 per mile to \$30,400 per mile. The showing of good faith and the honest purpose on the part of the assessing board is complete, and negatives the claim that there was an intentional systematic discrimination.

II

Counsel for appellants refer repeatedly to the adoption by the assessing board of a wrong method. Such is not this case. There is no question involved of the adoption of a wrong method in fixing the value of the complainant's property. No allegation thereof is contained in the pleadings and no proofs were offered before the court. The sole question involved is did the Executive Council

of Iowa intentionally, systematically and continuously and as a part of a scheme assess the appellant's property upon a higher relative ratio of assessed to actual value than that applied to farm lands?

III

MARKET VALUE OF STOCKS AND BONDS

Counsel for appellant further contends that net income and the market value of its stocks and bonds are to be considered in determining the value of its property. With this contention we quite agree. There is no doubt but that both net income and the market value of its stocks and bonds are to be given weight in determining the value of a railroad property. The weight to be given, however, is within the sound discretion of the board specially vested, under the law, with power to fix the value. The value of a railroad property is not to be determined by the consideration of any one element, but by the giving of consideration to every element of value. The weight to be given each factor is one to be determined by the tribunal authorized under the law to find the value.

The evidence clearly discloses that the market value of stocks and bonds of the appellant's property as well as the net income for years was before the assessing board, and was given proper weight. (Exhibit S, Tr. 301.) It is fundamental that the court will not substitute its judgment for that of the tribunal, especially vested under the law with power to fix the value for assessment purposes. In this connection it may be interesting to note that in all of the cases determined by this court (save those cases involving the adoption of a wrong method), the court had uniformly adopted the value fixed by the assessing board

and, where relief has been granted, has simply applied to such value the proper percentage. (See cases cited, Brief for Appellees Division 3-A.)

Counsel for appellants, however, would have the court disregard every element of value and find the value, substituting it for the value fixed by the assessing board upon the sole basis of the market value of its stocks and bonds and certain sums averred to be the net income for a period of five years, capitalized. This contention is clearly erroneous and, it would seem, needs no answer.

To fix the value of a railroad property upon the sole basis of the market value of its stocks and bonds is fundamentally incorrect. Especially is this true in the case at bar. The period of time used is the five years immediately preceding December 31, 1921. This was an abnormal period and therefore an unfair period to use in determining the true value of securities.

Again, all of the securities of a railroad system are not bought and sold on the market in bulk. Only small, little fractions, ranging from one three-hundredths of one per cent to possibly one per cent are bought and sold. No investor will pay for a single share of stock or a single bond, dependent as it is on the policy of the company, what would be paid for the controlling interest in the company. Whenever the controlling interest is sold openly, the market value of its shares of stock increases by leaps and bounds, and in many instances exceeds by far the value of the properties of the company.

The single share of stock does not carry with it any semblance of control. It is not the property of the railroad which the purchaser buys, but an infinitesimal interest in the corporation. The purchaser is buying corporate policy as distinguished from the property of the corporation.

Again, the market value of stocks and bonds is dependent upon the rate of interest and dividends and interest paid. If the property of the corporation is worth one hundred cents on the dollar, the bond secured by the property is not necessarily worth one hundred cents on the dollar. There may be no connection between the market value of the securities and the value of the property back of the securities. An underlying bond, backed by property equal or exceeding in value its face, paying 7 per cent, might sell above par, whereas the same bond, secured by precisely the same property, paying an interest rate of 3 per cent would not sell at over sixty cents on the dollar. The value back of the property may be ample and sufficient to pay it, yet the rate of interest, the length of time it runs, and other factors have great weight in determining the value of the obligation in the market.

Again, as in the case at bar, a company may husband its resources, putting its income, gross and net, back into the property instead of paying it out by way of dividends, and it may have an established reputation of this kind. Inevitably, such a policy depresses the value of its stocks as compared to a company which pays larger dividends.

The market value of stocks and bonds fluctuate enormously, especially in abnormal times. This may be due to stock manipulations. It may be due to the flooding of the market with other securities. Whatever be the cause, the fact remains that stocks and bonds during the five years in question fluctuated very greatly. Again, if the company has a reckless history or absorbs, consolidates and reorganizes constantly, as in this case, we care not how valuable the property is, the market value of its securities is low.

The distinction always to be kept in mind is that the share of stock as property is entirely different from the

property of the corporation. The minority stockholder, and it is always the minority of stock that is sold, is helpless and wholly dependent upon the corporation in which he holds stock. Therefore, the wise investor is always cautious in purchasing stock to investigate not so much the value of the property of the corporation, as the policy of the company.

We have given consideration to a great many cases in which, as stated, the market value of stocks and bonds is given some weight. The following summary, we believe, will be found accurate:

1. Such decisions are relative very few in number.
2. In those rare exceptions where the market value of securities is given consideration, it is only considered incidentally, and is not controlling.
3. It is only in old cases that it is given any serious consideration.
4. It is never given controlling consideration where other factors are available.

See *Des Moines Water Company v. City of Des Moines*, 192 Fed. 193, 196; *People v. Commissioners of Taxes and Assessments*, 23 N. Y. 192; *People v. Coleman*, 126 N. Y. 433; *M. W. & S. R. Co. v. Morley*, 198 Fed. 991.

EARNINGS

Counsel for appellants in addition to its contentions relative to the market value of its securities refer to its affidavits showing the value of its properties arrived at by the capitalization of what it is pleased to term its net income.

As we have already stated, there is no doubt but that the net income is to be given consideration in determining

the final value of the appellant's property. The weight to be given it is to be determined by the assessment board. The evidence of net income is subject to many grave objections, among which are the following:

The period of time used was five years preceeding July 1, 1921. No consideration is given to the net income for the entire year 1921, whereas the value for assessment purposes is to be fixed as of date December 31, 1921.

Again, the period of time used was abnormal in character. In the year 1918 the Government took over and operated the railroads of the nation. The period of Government operation continued until March 1, 1920. The wages paid railroad workers and the cost of materials used increased during that period out of all proportion to the increase in freight rates. This was due partly to the fact that the Government operated the railroads primarily for the purpose of winning the war and not for the purpose of making profit. In a larger sense, perhaps, we may say that conditions changed so rapidly that changes in the freight rates in the very nature of things could not keep pace. This condition was recognized by Congress in the enactment of the Transportation Act in 1920 and by the Interstate Commerce Commission in its order increasing passenger fares, charges and freight rates. Such increased fares, charges and rates were by specific act of Congress to be fixed so that there would be a return to the carriers of 6 per cent upon the actual value of the properties used and useful for transportation purposes. The value used as to this carrier is shown by Exhibit T. (Tr. 302) as \$362,426,762. This value was finally by the Interstate Commerce Commission reduced 9.64 per cent. Such value was the earning value. We have already herein used such value and as shown it is more than suffi-

cient to sustain the assessment of the Executive Council on the basis of 61.3 per cent, the ratio agreed upon.

Again, the figures used for net income are taken arbitrarily from the books of the carrier and do not give any consideration to the normal or reasonable operating expense.

Without extending this argument on this point further, we make the final observation that the net income of this carrier was given consideration by the Executive Council of Iowa in fixing the assessed value in question, and its determination of the weight to be given is final.

Counsel cites two Iowa cases in which it is contended that net income is to be given consideration. As will have been observed, we do not question this fact. However, neither of the cases cited, namely, *City of Marion v. C. R. & M. R. R. Co.*, 129 Iowa 259 and *Marshalltown L. P. & R. Co. v. Wilke v.*, 187 Iowa 165, are not in point. Both of these cases are appeals from the action of a local board of review. Under the laws of Iowa the District Court, as well as the Supreme Court, is vested with authority to increase or reduce assessments. In other words, the Court sits as an appellate assessment tribunal. A clear distinction lies between such cases and cases in which there is a collateral attack upon the action of an assessing board. Again, both of these cases hold that while net income is to be given consideration, it is not controlling. With this contention we quite agree. Again, both of these cases are under the general statute and are assessed at the market value of the property. As will have been noted by reading the original brief for appellees filed herein, it is not the market value of a railroad property that is to be considered as the assessment base, but rather the actual value of the property which is arrived at by

taking into consideration, first, the value of the structures, and then adding thereto the intangible values.

In direct contradiction of the contentions of the appellant, attention is called to the recent case of *Union Pacific Ry. Co. v. Council Bluffs*, (Iowa) 175 N. W. 6, in which the Court sitting as an appellate tribunal in assessments refused to take net income as the basis for fixing value, but used rather the original cost less depreciation. A capitalization of net income in such case would have resulted in a grossly increased figure over that finally determined upon by the Court and, as the Court properly said, it would far exceed the actual value of the property. The point we make is that net income is always to be given consideration as is gross income, the weight to be given each depending upon all of the facts and circumstances, and the determination of the matter honestly arrived at by the board will not be interfered with by the courts.

It may be interesting to note that if net income be taken and if the figures of the complainant carrier be used for certain of the years, particularly the year 1920, there would be no value to this property. Such a contention is absurd and foolish.

CONCLUSION

We have already extended this argument to an extreme length, but feeling as we do that when an assessment board in good faith seeks to equalize the assessed value of property, gives consideration to every contention made by the carriers, makes an exhaustive study of the problem in order to provide equality, that its action should not be overturned. In the case at bar we submit that the trial court was correct in its determination that the evidence was insufficient to show an intentional, systematic dis-

crimination and that its determination and interlocutory decree should be and must be affirmed.

Respectfully submitted,

BEN J. GIBSON, Attorney General,

NEILL GARRETT, Assistant Attorney General,

Solicitors for the Appellees.

APPENDIX

"Sec. 1377. Abstract. Each auditor shall, on or before the third Monday in June, make out, and transmit to the auditor of state an abstract of the real and personal property in his county, in which he shall set forth:

1. The number of acres of land and the aggregate actual and taxable values of the same, exclusive of town lots, returned by the assessors, as corrected by the county board of review;

2. The aggregate actual and taxable values of real estate in each township, city and town in the county, returned as corrected by the county board of review;

3. The aggregate actual and taxable values of personal property;

4. An abstract as to the number and value of all animals as the same are returned by the assessor, showing the aggregate actual and taxable values and number of each kind or class, and such other facts as may be required by the state board of review."

"Sec. 1378. State board of review. The executive council shall constitute the state board of review, and shall meet at the seat of government on the second Monday of July in each year. The auditor of state shall be the clerk of the board, and shall lay before it the abstracts transmitted to him by the auditor, as required by the preceding section."

"Sec. 1379. Ch. 139, 37th G. A. Adjusting valuation in counties. It shall adjust the valuation of property of the several counties, adding to or deducting from the valuation of each kind or class of property such percentage in each case as will bring the same to its taxable value as fixed in this chapter, but before such executive council shall add to the valuation of any kind or class of property any such percentage, it shall serve ten days' notice by mail, on the auditor of the county whose valuation is proposed to be raised and shall hold an adjourned meeting after such ten days' notice, at which time such county may appear by its board of supervisors, county

attorney, or otherwise, and make written or oral protest against such proposed raise, which protest shall consist simply of a statement of the error, or errors, complained of with such facts as may lead to their correction, and at such adjourned meeting final action may be taken in reference thereto."

CHICAGO GREAT WESTERN RAILWAY COMPANY *v.* KENDALL, GOVERNOR OF THE STATE OF IOWA, ET AL.

CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY *v.* KENDALL, GOVERNOR OF THE STATE OF IOWA, ET AL.

APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF IOWA.

Nos. 22 and 23. Argued October 7, 1924.—Decided November 17, 1924.

1. Hearing of an interlocutory appeal from an order refusing a temporary injunction to restrain a tax but leaving a restraining order effective pending appeal, should not be delayed to await the coming of a second appeal on the merits, where the effect will be an undue delay of state action, contrary to the intent of Jud. Code, § 266. P. 96.
2. When the jurisdiction of the District Court rests upon a substantial controversy under the federal constitution properly alleged by the bill, but the same relief would be afforded by the state constitution and laws, the case may be determined by the state rules without deciding the federal question. P. 97.
3. Unjust discrimination through intentional, systematic undervaluation by state officials of other taxable property of the same class when plaintiff's property is assessed and taxed much higher, is ground for an injunction, preventing the taxation of his property at a higher rate than the property so favored. P. 98.
4. It is not enough, however, that taxing officials have made a mistake, or that the court, were its judgment properly invoked, might reach a different conclusion as to the taxes; there must be a clear, affirmative showing that the difference is an intentional discrimination adopted as a practice. *Id.*
5. Such discrimination being shown, the fact that the discriminating tax is imposed directly by a state board which deals with the other taxes only as a tribunal equalizing assessments between counties, does not prevent equitable relief. P. 99.
6. A judgment of the District Court consisting of three judges under Jud. Code, § 266, refusing a temporary injunction to restrain a state tax, and based on a finding that in fact the tax is not shown

to result from arbitrary and intentional discrimination as alleged, and upon an exercise of that court's sound discretion in the granting or withholding of such injunctions, will not be disturbed by this Court in the absence of a very clear case against it. P. 100. Affirmed.

APPEALS by the two railroad companies from orders of the District Court denying motions for temporary injunctions.

Mr. Donald Evans, with whom *Mr. Clifford V. Cox* and *Mr. Wm. F. Riley* were on the brief, for appellant in No. 22.

Mr. J. G. Gamble, with whom *Mr. W. F. Dickinson*, *Mr. W. F. Peter* and *Mr. R. L. Read* were on the brief, for appellant in No. 23.

Mr. Ben J. Gibson, Attorney General of the State of Iowa, with whom *Mr. Neill Garrett*, Assistant Attorney General, was on the briefs, for appellees.

MR. CHIEF JUSTICE TAFT delivered the opinion of the Court.

These two bills in equity, one by the Chicago Great Western Railway Company, a corporation of Illinois, and the other by the Chicago, Rock Island & Pacific Railway Company, a corporation of Illinois and Iowa, were brought against the Governor, the Secretary of State, the Auditor and the Treasurer of Iowa, and another, constituting the Executive Council of the State, to enjoin the assessments for taxation of the railway properties of the complainants in Iowa as fixed by the Council. The injunction was sought on the ground that although, under the laws and constitution of Iowa, all property, real and personal, including railways, must be assessed at its actual value, there was an intentional discrimination by the Executive Council against complainants, in that farm lands in the State were assessed at slightly over 38

per cent. of their actual value, while the railway of the Great Western Railway Company in the State was intentionally assessed at 111.5 per cent. of its actual value, and that of the Rock Island at 75 per cent. There were averments that the amounts involved in the cases were more than \$3,000 in each. It was charged that such action was a denial to the railroad companies of the equal protection of the laws, in violation of the Fourteenth Amendment. The complainants asserted their right to relief in equity by injunction, because if the Executive Council certified their assessments and distributed them to all the counties through which the railways ran, it would entail on the companies a multiplicity of suits to vindicate their constitutional rights. Complainants moved for temporary injunctions under § 266 of the Judicial Code. The court, consisting of a circuit judge and two district judges, on the evidence adduced found that it did not disclose intentional discrimination by the state taxing tribunals, and denied the motions. Appeal was taken in both cases to this Court under § 266, and a continuance of the restraining orders originally granted on the filing of the bill was asked pending a hearing of the appeal. This was resisted but was finally allowed to the extent of enjoining upon a proper bond the Executive Council from certifying for collection, to the taxing officials of the counties through which the railways ran, assessments more than ninety-two per cent. in value of the assessments the subject of complaint. When these causes were called for hearing in this Court, application was made for a continuance, on the plea that since November, 1922, when this appeal was allowed, the issue on the complete pleadings in the District Court had been referred to a master who had found that there was intentional discrimination, and an early final hearing on the merits was probable. It was suggested that this Court would save time by awaiting the coming of a second

appeal on the merits. The counsel for the State resisted continuance and insisted that the State was embarrassed by withholding taxes due it and that it should not be delayed longer. Considering the fact that the Railroad Companies had succeeded in stopping the State from collecting part of the taxes for now more than two years in the face of a full preliminary hearing and adverse ruling by three judges, and noting the evident purpose of Congress in the enactment of § 266 to prevent undue delay in enforcing state legislation and action through federal judicial intervention, this Court has denied this request for a continuance and has heard the case.

In the cases before us, we are relieved from considering and deciding the alleged infringement of the Federal Constitution, because in view of the basis for jurisdiction of the District Court, the cases can be disposed of as a question of state law.

Jurisdiction of the bill in the *Great Western* case exists because of the diverse citizenship of the parties. The District Court therefore has jurisdiction to enforce the rights of the complainant under the state constitution and laws and prevent their violation.

Jurisdiction in the bill in the *Rock Island* case depends on the averment that the attempted assessment of complainant's railroad property in Iowa complained of was at a rate and upon a basis greater than the assessment of other property of the same class subjected to taxation in Iowa, and that the suit arises under the Fourteenth Amendment to the Federal Constitution forbidding any State to deprive any person of his property without due process of law or to deny him the equal protection of the laws. We think this averment, in view of the allegations of the bill, invoked a substantial controversy under the Federal Constitution and gave the District Court jurisdiction. Its jurisdiction thus established gave the District Court the authority to determine all questions in-

involved, including questions of state law, irrespective of the disposition of the federal question, and as the relief to which the complainant might be entitled would be the same as that which should be allowed him by the federal court upon a construction of the state constitution and laws such as he contends for, the question whether the acts complained of violated the Federal Constitution need not be decided. *Greene v. Louisville & Interurban R. R. Co.*, 244 U. S. 499, 508; *Ohio Tax Cases*, 232 U. S. 576, 586; *Siler v. Louisville & Nashville R. R. Co.*, 213 U. S. 175, 191. It follows, therefore, that in both the cases under consideration, the District Court has jurisdiction to consider and decide whether the complainants in these cases are so injured by a violation of the state constitution and laws in the taxation of their property as to entitle them to the equitable remedy of injunction against the taxing officials made defendants. The averments of both bills make a case of unjust discrimination against complainants' property in that there is an intentional, systematic undervaluation by state officials of Iowa of other taxable property of the same class, when the complainants' property is assessed and taxed at a much higher rate. In such cases, the federal authorities render it clear that the complainants may have the remedy by injunction in equity to prevent the taxation of their property at any higher rate than that imposed upon the property of those in whose favor the discrimination exists. *Cummings v. National Bank*, 101 U. S. 153, 160; *Greene v. Louisville & Interurban R. R. Co.*, 244 U. S. 499, 516; *Taylor v. Louisville & Nashville R. R. Co.*, 88 Fed. 350. See also *Sioux City Bridge Co. v. Dakota County*, 260 U. S. 441, 445, and *Sunday Lake Iron Co. v. Wakefield*, 247 U. S. 350, 352. It is not enough, in these cases, that the taxing officials have merely made a mistake. It is not enough that the court, if its judgment were properly invoked, would reach a different conclusion as to the taxes

imposed. There must be clear and affirmative showing that the difference is an intentional discrimination and one adopted as a practice.

In Iowa the value of farm lands is assessed by local assessors, who fix the value of the properties under § 1305 of the Code Supplement of 1913, in the various taxing districts. Their assessments are submitted to the local board of review of the taxing district, and that board hears the complaints on the part of the property owner or the part of the public, and makes its findings. This action is submitted to the county board of supervisors, which as a board of equalization adjusts and equalizes the findings between the taxing districts of the county. The results of action by the county supervisors are sent to the State Auditor, and by him are laid before the Executive Council sitting as a state board of equalization, which equalizes them so that there may be as nearly as possible uniformity as between the counties. By § 1350 of the Code, real estate is listed and valued each odd numbered year. Railway properties are valued for assessment in a different way from real estate under the provisions of § 1336 of the Code of 1897. They are made upon the taxable value of the entire railway within the State and are made every year, and are distributed proportionately to the counties. In case a railway lies partly in the State and partly without it, the estimate of the value of its entire rolling stock and movable property is made after taking into consideration the proportion which the business of that part of the railway lying within the State bears to the business of the railway without the State. By § 1334 of the Code Supplement of 1913, a railway is obliged to submit to the Council for its information many details concerning its property, tangible and intangible, upon which to base an estimate of the value of the total property. These include the par and market values of the stocks and bonds, its net income and many other cir-

circumstances. Thus, the Executive Council assesses the value of railways in the State directly. It acts only as an equalizing tribunal, however, upon assessments on farm lands as between counties. This distinction does not prevent equitable relief. Even if the taxing tribunals were different boards and if the complaining taxpayers were intentionally discriminated against by the united action of two parts of the taxing machinery of the State, relief could be granted as shown in the authorities above cited.

It was agreed between the parties that the average value for assessing farm lands was 61 per cent. The Railway Companies contended that the rate as fixed by the Council was very much higher than this for them. The three judges in the District Court found that the Executive Council might reasonably and without arbitrary or intentional discrimination reach the conclusion that the properties of the two companies in Iowa, tangible and intangible, were not assessed by the Executive Council in proportion to their actual value substantially more than the 61 per cent. imposed on farm lands. The court pointed out that railroad values were very difficult to fix and there was a wide range within which reasonable men might differ, and after an examination of the evidence, concluded they could not find that there was any arbitrary and unconscionable difference between the values assessed upon the two kinds of property. One circumstance to which the judges below gave weight was the value ascribed to the properties of these two railway companies in Iowa by their own admissions in what is known as *Ex parte 74*, an investigation by the Interstate Commerce Commission under the Transportation Act of 1920.

It would take a very clear case upon the record to justify this Court in setting aside the conclusion of a court of three judges under § 266 upon what is solely a

question of fact and an exercise of sound judicial discretion as to the just balance of convenience in granting or withholding a temporary suspension of the operation of a state law in the collection of taxes. This Court must respect in the fullest degree the sensitiveness of Congress in hedging about the sovereign power of taxation by the States and precluding temporary federal judicial interference with it save in clear cases. The present cases are not of that character.

Affirmed.